

New Zealand Auditing and Assurance Standards Board

MEETING PACK

for

NZAuASB Board Meeting - PUBLIC

Wednesday, 3 December 2025

10:00 am (NZDT)

Held at:

XRB Boardroom

Level 6, 154 Featherston Street, Wellington

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AGENDA

NZAUASB BOARD MEETING - PUBLIC

Name:	New Zealand Auditing and Assurance Standards Board
Date:	Wednesday, 3 December 2025
Time:	10:00 am to 4:45 pm (NZDT)
Location:	XRB Boardroom, Level 6, 154 Featherston Street, Wellington
Committee Members:	Graeme Pinfold (Committee Chair), Darby Healey, Doug Niven, Michael Bradbury, Rebecca Palmer, Richard Kirkland, Todd Beardsworth, Vasana Vanpraseuth
Attendees:	Anna Herlender, Bruce Mcniven, Karen Griffin, Karen Tipper, Lisa Thomas, Misha Pieters, Sharon Walker, Thinus Peyper, Wendy Venter

- 1. Opening Meeting (PRIVATE)
- 2. Board Management (PUBLIC)

2.1 Action list

10:00 am (5 min)

For Noting

Supporting Documents:

2.1.a	2.1 Action List Dec 2025.docx	8
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2.2 Chair report

10:05 am (5 min)

Graeme Pinfold

For Noting

Verbal

2.3 AUASB Update

10:10 am (5 min)

Doug Niven

For Noting

Verbal

2.4 Chief executive update

10:15 am (5 min)

Wendy Venter

For Noting

Verbal

2.5 JSS report

10:20 am (5 min)

For Noting

Supporting Documents:

2.5.a	2.5 Report JSS Nov 2025.docx	9
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- 2.6 SAC meeting highlights (SUPPLEMENTARY)** 10:25 am (3 min)
For Noting
- 2.7 PIOB public interest IAASB Oct (SUPPLEMENTARY)** 10:28 am (1 min)
For Noting
- 2.8 PIOB public interest IESBA Oct (SUPPLEMENTARY)** 10:29 am (1 min)
For Noting
- 3. Revocation and reissue of ISAs (NZ) (PUBLIC)**
- 3.1 Summary paper** 10:30 am (5 min)
 Anna Herlender
For Noting
 Supporting Documents:
- | | | |
|-------|------------------------------------|----|
| 3.1.a | 3.1 BMSP Reissue of ISAs (NZ).docx | 12 |
|-------|------------------------------------|----|
- 3.2 Signing memorandum** 10:35 am (5 min)
For Decision
 Supporting Documents:
- | | | |
|-------|---|----|
| 3.2.a | 3.2a Signing Memorandum ISA NZ 570 Going Concern.docx | 16 |
| 3.2.b | 3.2b Signing Memorandum ISA NZ 240 Fraud.docx | 22 |
| 3.2.c | 3.2c Signing Memorandum PTE and ISAs (NZ).docx | 28 |
- 3.3 Explanation for decisions made** 10:40 am (5 min)
For Decision
 Supporting Documents:
- | | | |
|-------|---|----|
| 3.3.a | 3.3 Explanation for decision made - PTE and ISAs (NZ).pdf | 38 |
|-------|---|----|
- 3.4 ISA (NZ) 320 (SUPPLEMENTARY)** 10:45 am (5 min)
For Decision
- 3.5 ISA (NZ) 402 (SUPPLEMENTARY)** 10:50 am (5 min)
For Decision
- 3.6 ISA (NZ) 501 (SUPPLEMENTARY)** 10:55 am (5 min)
For Decision
- 3.7 ISA (NZ) 520 (SUPPLEMENTARY)** 11:00 am (5 min)
For Decision

3.8 ISA (NZ) 620 (SUPPLEMENTARY) 11:05 am (10 min)

For Decision

3.9 Morning Tea 11:15 am (15 min)

4. International alignment sustainability ethics and use of external experts (PUBLIC)

4.1 Summary paper 11:30 am (10 min)

Karen Tipper

Supporting Documents:

4.1.a	4.1 BMSP Sustainability assurance, ethics and indepenence and using the work of an external expert.docx	48
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4.2 Analysis of feedback received and issues 11:40 am (10 min)

Supporting Documents:

4.2.a	4.2 Analysis of responses to the international alignment consultation.docx	55
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4.3 Submissions received (SUPPLEMENTARY) 11:50 am (5 min)

For Noting

4.4 ISSA (NZ) 5000 (SUPPLEMENTARY) 11:55 am (20 min)

Karen Tipper

For Decision

4.5 PES 1 including IESSA (NZ) and use of external experts (SUPPLEMENTARY) 12:15 pm (20 min)

Bruce Mcniven

For Decision

4.6 Amendments arising from the issue of ISSA (NZ) 5000 (SUPPLEMENTARY) 12:35 pm (20 min)

Karen Tipper

For Decision

4.7 Signing memorandum 12:55 pm (15 min)

Karen Tipper

For Decision

Supporting Documents:

4.7.a	4.7 Draft Signing Memorandum international alignment, sustainability assurance ethics and independence.docx	73
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4.8 GHG snapshot to June 2025 1:10 pm (20 min)

Anna Herlender

For Noting

Supporting Documents:

4.8.a	4.8 GHG Assurance Snapshot statistics for the Board Dec 2025.docx	80
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4.9 Lunch 1:30 pm (45 min)

5. NZAuASB work plan (PUBLIC)

5.1 Summary paper 2:15 pm (5 min)

Misha Pieters

Supporting Documents:

5.1.a	5.1 Summary paper Dec 2025.docx	82
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5.2 Assurance portfolio 2:20 pm (10 min)

For Noting

Supporting Documents:

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5.3 Forward agenda 2:30 pm (10 min)

For Noting

Supporting Documents:

5.3.a	5.3 Forward agenda.pdf	89
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5.4 Consultation plan 2:40 pm (5 min)

For Noting

Supporting Documents:

5.4.a	5.4 Consultation View.pdf	90
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6. Narrow scope amendments use of external experts (PUBLIC)

6.1 Summary paper 2:45 pm (15 min)

Anna Herlender

For Discussion

Supporting Documents:

6.1.a	6.1 Use of experts BMSP December 2025.docx	91
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7. EG AU8 in conjunction with AUASB (PUBLIC)

7.1 Summary paper 3:00 pm (30 min)

Thinus Peyper

For Discussion

Supporting Documents:

7.1.a	7.1 NZAuASB EG Au8_GS 007 - Update.docx	94
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7.2 Afternoon tea 3:30 pm (15 min)

8. Audit findings and impact on standards (PUBLIC)

8.1 Summary paper 3:45 pm (30 min)

Thinus Peyper

For Noting

Supporting Documents:

8.1.a	8.1 FMA Audit quality monitoring report.docx	99
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9. Technology (PUBLIC)

9.1 Update 4:15 pm (30 min)

Thinus Peyper

For Noting

Supporting Documents:

9.1.a	9.1 NZAuASB Technology - Update.docx	103
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10. Board Management (PRIVATE)

11. Close Meeting

11.1 Close the meeting 4:45 pm

For Noting

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

Closing Karakia:

Kia hora te marino | May peace be widespread

Kia whakapapa pounamu te moana | May the sea be like greenstone

Hei huarahi mā tatou i te rangi | A pathway for us all this day

Aroha atu, aroha mai, tatou i a tatou katoa | Let us show compassion and respect for each other

Haumi e, hui e, tāiki e | Unified, connected and blessed

NZAuASB Action list

Meeting Arose	Board Action	Target Meeting	Status
April 2025	Request formal response from the FMA if desire the public interest entity requirements to apply to all FMC reporting entities	June 2025	Request made. Response was the FMA will respond once further considered.
Aug 2025 Oct 2025	Gather more information and confirm next steps on impact of use of technology	Dec 2025	Refer agenda
Oct 2025	To undertake further testing of staff guidance on going concern	Dec 2025	To provide verbal update
Oct 2025	Revocation and reissue of standards	Dec 2025	To provide update
Oct 2025	Progress plan to support reporting and assurance of service performance information	Dec 2025	To provide update

NZAuASB Board meeting summary paper

Meeting date: December 2025

Subject: **Jurisdictional standard setters (JSS) meeting November 2025**

Date: 17 November 2025

Prepared by: Misha Pieters

Reviewed by: Graeme Pinfold

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

Agenda item objectives

1. To update the Board on key areas discussed at the November 2025 JSS meetings.

Background

2. The International Ethics Standards Board for Accountants (IESBA) held a virtual JSS meeting in November. The International Auditing and Assurance Standards Board (IAASB) and IESBA held a joint JSS meeting on strategy. The IAASB did not hold a separate JSS call at this time. The NZAuASB Chair and the director of assurance participated in these meetings.
3. The next in person JSS meetings are planned for April 2026.

Matters to consider

4. The following is a short summary of the agenda items relevant to the work of the NZAuASB.

Engagement and Collaboration between IESBA and JSS

5. JSS agreed on a Statement of Purpose to guide future engagement and collaboration, which will be published on the IESBA website. This is closely aligned with the IAASB's [JSS statement of purpose](#).
6. Participation in JSS is limited to jurisdictions that are significantly active in standard setting and committed to convergence with international standards.
7. Consistent with the XRB's strategy of internationally aligned, locally relevant standards, continued active involvement is essential for XRB to influence global standard setting.

Firm Culture and Governance (FCG)

8. The IESBA has agreed to resequence the standard-setting and non-authoritative material (NAM) workstreams on this project. This resequencing prioritises the development of NAM and supporting materials whilst continuing to explore the best approach to a FCG framework. As part of the resequencing, the IESBA agreed to develop a series of "IESBA viewpoints" on the eight elements of the FCG framework.
9. The JSS discussion recognised the importance of ethical leadership and culture.
10. Key discussion points included:

- (a) Questions about the relationship between IESBA's developing FCG framework and ISQM 1¹, and emphasized a need for clear mapping between the two,
 - (b) Questions about the enforceability of the developing framework, and
 - (c) The need for clarity of the intent and purpose with clear language in communications on this project.
11. Misha Pieters highlighted the XRB's recognition of the importance of ethical culture. She stressed the importance of the connectivity between the developing FCG framework and the systems of quality management that are in place at firms from the perspective of a JSS that sets both quality management and ethical standards for assurance practitioners. The IESBA is looking at this from an ethical lens while ISQM 1 takes the quality lens. The XRB, and other stakeholders, see these as overlapping – ethics and quality work hand in hand, like two sides of a coin. The FCG framework will not operate in isolation of a firm's quality management system.

Independence Provisions for Sustainability Assurance Engagements Outside the Scope of Part 5

12. IESBA introduced a new workstream to gather information to inform whether to develop profession-agnostic independence provisions for sustainability assurance engagements outside the scope of the IESSA². For example, engagements that are performed against special purpose reporting frameworks, where the reporting is not public. It was emphasized that the number of engagements outside the scope of IESSA may exceed those that fall within its scope as many countries pull back from mandatory sustainability reporting or assurance. IESBA staff plan to issue a questionnaire to JSS in Q4 2025 or Q1 2026, and summarise back to JSS at the April JSS meeting.
13. Key discussion points included:
- (a) Concerns raised about the Code's volume and complexity with calls for restructuring rather than expansion.
 - (b) The opportunity to consider a more engagement agnostic approach.
 - (c) Concerns at pursuing a profession agnostic approach.
 - (d) Suggestions to engage with the International Accreditation Forum.

Post-Implementation Reviews (PIRs) of NOCLAR and Restructured Code projects

14. IESBA is prioritising PIRs of non-compliance with laws and regulations (NOCLAR) and the Restructured Code, and sought preliminary insights into implementation challenges. IESBA plan to issue a survey in the new year and requested thoughts from the JSS to inform the survey.
15. Key points discussed included:
- (a) To explore whether the structural changes have aided in the enforceability of the Code.
 - (b) The challenge to gather data to inform the NOCLAR PIR as it may be hard to deduce how the NOCLAR framework has been used or whether it has been effective.
 - (c) Interest in whether regulators have had any enforcement cases related to NOCLAR. Some raised a few examples, but acknowledged the challenge.
 - (d) In Australia, the tax practitioner board has mandated more reporting leveraging off the NOCLAR framework.

¹ ISQM 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements

² IESSA, International Ethics Standards for Sustainability Assurance (including International Independence Standards)

16. JSS members were asked to assist to distribute the PIR surveys for feedback early next year. Feedback will be confidential.
17. XRB has adopted NOCLAR and restructured Code with no significant issues noted to date.

IAASB and IESBA Strategies and Work Plans (SWPs) 2028–2031

18. JSS received an update on IAASB's and IESBA's consultation process for their SWPs 2028-2031.
19. Key points discussed in relation to developing a joint value proposition and key environmental trends and changes to the standard setting environment which may inform a planned survey included:
 - (a) Mixed views on the need for the joint value proposition with some concerns expressed
 - (b) Agreement with the key themes identified which include geopolitical tensions, technology, sustainability, and evolving business models.
 - (c) Suggestion to think about future trends not only current trends and engage with AI and leading technology developers to see what trends they expect to emerge
20. XRB input emphasized support for the joint consultation and coordination between the IAASB and the IESBA.
21. JSS will continue the discussion on strategy and work planning at the in person JSS 2026 meetings planned at the end of April 2026. Planning for the meeting has commenced.

Recommendations

22. The board notes the update from the November JSS discussions

NZAuASB Board meeting summary paper

Meeting date: 3 December 2025

Subject: **Revocation and reissue of ISAs (NZ)**

Date: 26 November 2025

Prepared by: Anna Herlender

Reviewed by: Sharon Walker, Misha Pieters

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

Agenda item objectives

1. The objective of this agenda item is to seek approval of updated documentation and additional standards following the October 2025 Board discussions and confirm all due process requirements have been followed.

Background

2. The NZAuASB has previously approved in principle the issue of the revised ISA (NZ) 570 *Going Concern* and the revised ISA (NZ) 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*.
3. ISA (NZ) 570 was approved by NZAuASB at the June 2025 meeting, subject to any conforming changes pending from the narrow scope PTE amendments. After approval in June, further amendments to ISA (NZ) 570 were identified by staff. Accordingly, the NZAuASB approved the updated ISA (NZ) 570 at the October 2025 meeting. At the same time, the NZAuASB also requested changes to the signing memorandum to reflect the progress of the project to reissue the ISA (NZ) suite. The final standard has been updated to reflect the latest drafting advice relating to the revocation of the extant ISA (NZ) 570 (Revised), and the application of the new template that includes upfront and tail end changes to reflect best practice in drafting secondary legislation. These changes have been similarly applied to all the ISAs (NZ) that will revoke and replace extant standards.
4. ISA (NZ) 240 was approved by the NZAuASB at the August 2025 meeting. The final standard has similarly been updated to reflect the new template that includes upfront and tail end changes to reflect best practice in drafting secondary legislation.
5. In October 2025, the NZAuASB discussed the reissue of ISAs (NZ) and expressed a preference that the agreed way forward for naming conventions, i.e., to remove "revised" from titles, be applied retrospectively to all ISAs (NZ) where applicable, not just to the new fraud and going concern standards. The Board considered it useful to have a complete "fresh start", and that this approach would make it simpler to communicate to our stakeholders. It was noted that this will impact further ISAs (NZ).
6. The Board also requested additional changes to the signing memorandums and other documentation relating to amendments related to publicly traded entities (PTE) and reissue of the ISAs (NZ). It was agreed that updated documents would be approved by circular resolution.

7. It has taken time to confirm the correct drafting for the revocation and reissue of standards, so rather than seeking approval by circular resolution we have added this to the December agenda.

Matters to consider

8. At the Board's request, the following changes have been made to ISAs (NZ), explanation for decision made or signing memorandums:

Changes to the going concern signing memorandum

- Amended to include revocation of the existing standard.
- Refined the "timing, application and gazetting" section.
- Added a paragraph to explain the nature of the NZ paragraphs.

Changes to the fraud signing memorandum

- Amended to include revocation of the existing standard.
- Refined the "timing, application and gazetting" section for consistency with the going concern signing memorandum.
- Added cost/benefit considerations
- Made minor editorial changes.

Changes to the reissued ISAs (NZ) signing memorandum and explanation for decision made

- Updated the rationale for not including the definition of "publicly traded entities" recognising that:
 - applying the term FMC reporting entity considered to have a higher level of public accountability (FMC HLPAs) is consistent with what is permitted in the IAASB's standards and is most appropriate for New Zealand settings
 - entities listed on platforms such as Unlisted or Catalyst may not be, albeit some are, FMC HLPAs entities.
- Reflected the fact that all ISAs (NZ) are revoked and reissued
- Made editorial changes as indicated by Board Members

Additional ISAs (NZ) presented

- Five ISAs (NZ) have been added¹, so that the whole set of ISAs (NZ) is reissued. These five ISAs (NZ) need to be approved for revocation and reissue by the Board.
- The presented ISAs (NZ) incorporate the drafting language advised to meet secondary legislation best practice and to revoke the ISAs (NZ) while ensuring that "revocation" works with "commencement and application date" (based on legal advice)
- Other changes in these additional ISAs (NZ) to update references to other standards, mainly in the footnotes.

Changes to ISAs (NZ) previously approved by the Board

- Removed the word "revised" from the titles of all ISAs (NZ) and updated references to the new titles throughout the whole set of ISAs (NZ), as directed by the Board

¹ ISA (NZ) 320, *Materiality in Planning and Performing an Audit*, ISA (NZ) 402, *Audit Considerations Relating to an Entity Using a Service Organisation*, ISA (NZ) 501, *Audit Evidence – Specific Considerations for Selected Items*, ISA (NZ) 520, *Analytical Procedures*, ISA (NZ) 620, *Using the Work of an Auditor's Expert*.

- Ensured that references to PTE in application material in ISA (NZ) 315 (para A56) are amended for the New Zealand context as appropriate
 - Applied the new template that includes upfront and tail end changes to reflect best practice in drafting secondary legislation
 - Updated the language in the conformity statement of ISA (NZ) 200 to clarify that the term publicly traded entity (PTE) is not used in the ISAs (NZ). Rather, the ISAs (NZ) refer to FMC HLPAs entities.
9. The supplementary pack includes the updated documents and the five additional ISAs (NZ) for the Board's approval to revoke and reissue.
10. The new drafting approach based on the advice received is reflected in the five ISAs (NZ) tabled for approval. The same drafting has been applied to all the other ISAs (NZ), including the going concern and fraud standards. We have not included all of the ISAs (NZ) in this agenda pack again, as the board approved those, subject to the drafting advice, at the October meeting. We request that the Board delegate final approval of all of these standards to the Chair of the NZAuASB prior to gazetting.

Recommendations

11. We recommend that the Board:
- (a) APPROVES the updated explanations for decisions made and the updated signing memorandums for going concern, fraud and the reissue of all other ISAs (NZ) for the conforming amendments previously approved by the board.
 - (b) APPROVES the five additional ISAs (NZ) identified as needing to be reissued as part of the refresh, given the Board requested we adopt the new naming convention across the full ISA (NZ) suite.
 - (c) DELEGATES final approval of all the standards, reflecting this drafting approach, to the Chair of the NZAuASB.

Material presented

- Board meeting summary paper
- Signing memorandums for:
 - the revocation of the existing standard and issue of a revised:
 - ISA (NZ) 570, *Going Concern*, and
 - ISA (NZ) 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*; and
 - the revocation and reissue of other ISAs (NZ) to include conforming amendments from the revised going concern and fraud standards and the amendments for publicly traded entities, and other minor amendments
- Explanation for decisions made for the reissued ISAs (NZ) and amendments to assurance standards
- ISA (NZ) 320, *Materiality in Planning and Performing an Audit*
- ISA (NZ) 402, *Audit Considerations Relating to an Entity Using a Service Organisation*
- ISA (NZ) 501, *Audit Evidence – Specific Considerations for Selected Items*
- ISA (NZ) 520, *Analytical Procedures*

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

Memorandum

To: John Kensington, Chair External Reporting Board

From: Graeme Pinfold, Chair NZAuASB

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

Date: 12 December 2025

Introduction

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

Background

International process

2. The International Auditing and Assurance Standards Board (IAASB) issued Exposure Draft (ED) ISA 570 (Revised 202X), *Going Concern* in April 2023.
3. Corporate failures worldwide raised questions about auditors' responsibilities, while global challenges, including war and pandemic, intensified focus on going concern. These factors heightened stakeholder expectations for a more robust auditing standard and greater transparency in auditors' work related to going concern. In response, the IAASB enhanced and clarified its auditing standard on going concern to ensure it remains fit for purpose in an evolving macroeconomic and geopolitical landscape. [Provide background on the international process of the setting of the standard or amendment such as why the amendment was required and the amendments proposed.]
4. The project objectives supporting the public interest included enhancing or clarifying ISA 570 (Revised) to:
 - Promote consistent practice and behaviour and facilitate effective responses to identified risks of material misstatement related to going concern;
 - Strengthen the auditor's evaluation of management's assessment of going concern, including reinforcing the importance, throughout the audit, of the appropriate exercise of professional scepticism; and
 - Enhance transparency with respect to the auditor's responsibilities and work related to going concern where appropriate, including strengthening communications and reporting requirements.
5. The IAASB received 78 responses from a diverse range of stakeholder constituencies, including four Monitoring Group member respondents, regulators and audit oversight authorities, jurisdictional auditing standard setters, accounting firms, public sector organizations, member bodies and other professional organizations, academics, and

individuals. No written responses were received from investor constituents. Accordingly, the going concern task force undertook further outreach with this stakeholder group to supplement the information gathering on the ED.

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

Domestic process

9. The XRB issued a NZ wraparound consultation document in May 2023 with submissions due on 31 July 2023. The domestic consultation undertaken concurrently with the consultation on the international proposals questioned the continued appropriateness of the extant NZ compelling reason amendments and application of the proposed differential requirements to FMC reporting entities considered to have a higher level of public accountability.
10. Outreach included a walk-through webcast, virtual feed-back forum and an in person panel discussion event. Three written responses were received on the consultation.
11. Key messages from New Zealand stakeholders about the international proposals included:
 - Support for defining and clarifying specific terms that are used pervasively throughout the proposed standards (e.g., material uncertainty) so that they are clear and understood and to promote consistency in practice, but some further refinement is needed.
 - Support for the enhanced risk assessment process and for strengthening the procedures to enhance the auditor's evaluation of management's assessment. However, further guidance is needed so that the required procedures are responsive to assessed risks and scalable.
 - Support for including more information about going concern in the auditor's report but concern that the proposals may have the unintended consequence of widening the audit expectation gap. Concerns were expressed that including a going concern paragraph in the auditor's report when no material uncertainty exists may be too confirmatory, i.e., it may be misinterpreted as guaranteeing the future viability of the entity or that readers may not note information that signals an issue with management's going concern assessment.
 - A holistic solution is needed from both the accounting and auditing standard setters to ensure the appropriate balance between management and auditor responsibilities is maintained.
12. The outreach undertaken informed the XRB's submission to the IAASB
13. New Zealand stakeholders supported retaining existing NZ specific amendments addressing NZ legal and regulatory arrangements, i.e., the responsibility of those charged with

governance for the preparation of the financial statements and for providing written representations.

14. New Zealand stakeholders also agreed that the ED's proposed differential requirements should apply to FMC reporting entities considered to have a higher level of public accountability.

15. In finalising the standard, the NZAuASB has made the usual amendments 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.

These modifications are marked as NZ paragraphs.

- The revised ISA (NZ) 570 also reflects NZ spelling and contextual changes.

Consideration of costs and benefits

15.16. The revised auditing standard strengthens auditor responsibilities in evaluating management's assessment of going concern, with the objective to improve audit quality. The FMA has placed a strong emphasis on going concern assessments as part of its quality monitoring efforts. In its 2023/24 Audit Quality Monitoring Report, the FMA identified going concern evaluations as one of the key areas where recurring or significant findings were observed across audit files.

16.17. While some increase in audit cost through the need for more extensive documentation and scrutiny, deeper engagement with management, and potentially more rigorous internal review processes is expected, the benefits include more consistent audit practices and better transparency in financial reporting. These improvements can be expected to enhance investor trust.

17.18. Accounting standards require management to make an assessment of the entity's ability to continue as a going concern. Management may be able to mitigate some of the potential increase in audit cost by ensuring their going concern assessment is comprehensive and tailored to the entity's going concern risks and operating environment and supported by clear documentation of management's judgements and assumptions.

Timing of adoption and application issue and gazetting, and application

19. At its June 2025 meeting, the NZAuASB discussed and agreed that the revised going concern and fraud standards, together with the refreshed suite of ISAs (NZ) incorporating the following amendments should be gazetted and issued together:

- Conforming amendments as a result of the revised going concern standard;
- Conforming amendments as a result of the revised fraud standard;
- Narrow scope publicly traded entity amendments; and
- Other editorial changes, including changing the name of IFRS Accounting Standards.

18.20. Further, the NZAuASB agreed not to permit early application. Issuing the suite of ISAs (NZ) together, with the same application date, will ensure that firms understand that they must be applied at the same time. The revisions affect the auditor's report and are to be applied together to avoid possible confusion for readers of auditor's reports.

19. The following three standards (either issued, approved or approved in principle by the IAASB):

- revised going concern standard,
- revised fraud standard,
- revisions to the listed entity and PIE amendments.

all affect the auditor's report. They therefore have the same effective date. These three standards must be applied as a package due to the potential for confusion for users if auditors' reports for the same or similar periods lack consistency.

20.—There will be complexity in drafting legal application dates if three separate pieces of secondary legislation are required to be applied together if applied early.

21.—The NZAuASB recommends that early application is not permitted.

Timing of issue and gazetting.

22.—The NZAuASB recommends issuing the revised going concern, fraud, and listed entity and PIE standards at the same time. Issuing these standards together will ensure that firms understand that they must be applied at the same time. It will also ensure that we reduce the risk of complexity of application dates.

23.—There are a number of conforming and consequential amendments arising from the revised going concern and fraud standards. Along with the amendments from the listed entity and PIE project, the conforming and consequential amendments will change most of the ISAs (NZ), leaving only five of the ISAs (NZ) unchanged.

24.—Delaying gazetting and issuing the standards at the same time benefits practitioners and the XRB.

25.—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.

26.—Approving but not issuing the revised going concern standard is efficient for the XRB. If the XRB issues and gazettes the revised going concern standard immediately following approval, conforming amendments to the new standard will be needed before it becomes effective as the revised fraud standard and the listed entity and PIE amendments both amend the revised going concern standard.

27.—Rather than issuing three amending standards, there is an opportunity to change each ISA (NZ) once, noting that the application dates are the same, thereby simplifying the XRB's secondary legislation. Rather than producing an amending standard that captures the conforming and consequential amendments from the each of the projects, and then compiling the amendments into each principal standard, 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).

28.—This approach will mean that that the XRB's performance measure of issuing the going concern standard by June 2025, as set out in 2024/25 Statement of Performance Expectations will not be achieved.

29.—However, the approach to issue the standards will be in line with the proposed performance expectations for the 2025/6 period, which is that we issue New Zealand equivalents to international standards 12 months before the effective date to allow sufficient time for adoption and implementation.

30.—The table below shows the proposed timeline.



Australian process and harmonisation with Australia

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

[32.22.](#) The AUASB also made changes to:

- remove the optional subheading included in the illustrative reports. This change has also been made in New Zealand; and
- include, as an appendix to the auditing standard, the walk through of the auditor's decision-making process for going concern presented in Appendix 2 of the IAASB's basis for conclusions. In New Zealand the decision-making flowchart is to be published as staff guidance on the XRB website.

Guidance

[33.23.](#) Staff of the assurance and accounting standards teams have been working closely together to develop guidance aimed at those charged with governance and management/preparers of financial statements that reminds them of their responsibilities in relation to going concern.

[34.24.](#) Staff have also prepared two flowcharts to assist auditors. These flowcharts:

- Provide a walkthrough of the auditor's decision-making process for going concern (leveraging from international material); and
- Link going concern considerations to types of audit opinions.

Privacy

[35.25.](#) 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

[36.26.](#) 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 22 of the Financial Reporting Act 2013.

Consistency with XRB Financial Reporting Strategy

[~~37.27.~~](#) The adoption of ISA (NZ) 570, *Going Concern* is consistent with one of the key strategic objectives set by the XRB Board for the NZAuASB to adopt international auditing and assurance standards, as applying in New Zealand unless there are compelling reasons not to.

Other matters

[~~38.28.~~](#) There are no other matters relating to the issue of this standard that the NZAuASB considers to be pertinent or that should be drawn to your attention.

Recommendation

[~~39.29.~~](#) The NZAuASB recommends that you sign the attached certificate of determination on behalf of the XRB Board.

Attachments

- International Standard on Auditing (New Zealand) 570, *Going Concern*
- Certificate of determination
- Approval Certificate

Graeme Pinfold
Chair NZAuASB

Memorandum

To: John Kensington, Chair External Reporting Board

From: Graeme Pinfold, Chair NZAuASB

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

Date: 12 December 2025

Introduction

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

Background

International process

2. The International Auditing and Assurance Standards Board (IAASB) issued Exposure Draft ED ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* (ED 240) in February 2024.
3. 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.
4. 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.
5. 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.

6. 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) 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.
7. The IAASB approved ISA 240 (Revised) with affirmative votes of 16 out of 16 Board members at its March 2025 meeting. The final standard was published on 9 July 2025 following PIOB certification.

Domestic process

8. The XRB consulted concurrently in New Zealand with the international consultation. Outreach included:
 - A discussion with XRAP.
 - A virtual feedback forum where feedback was obtained 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.
9. No written responses to the consultation were received. Feedback received from outreach and from the Audit Technical Reference Group was used to inform the XRB's submission
10. The main messages in the XRB submission 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. The IAASB made targeted revisions in finalising the standard to help auditors identify 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 . 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.

11. At its April 2025 meeting, the NZAuASB considered how the XRB's significant comments were addressed by the IAASB in finalising ISA 240 (Revised).
12. The NZAuASB believes that the changes made by the IAASB in finalising ISA 240 (Revised) are responsive to the XRB's comments and suggestions. Accordingly, the NZAuASB recommends adopting ISA 240 (Revised) to maintain alignment with the international auditing standards.
13. The NZAuASB ~~have~~has made the usual amendments to the standard 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.

These modifications are marked as NZ paragraphs.

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

Consideration of costs and benefits

14. Key changes and benefits of the revised fraud standard are to:

- Clarify the role and responsibilities of the auditor for fraud in an audit of financial statements. The revised standard is clear that the auditor has a responsibility to identify material misstatement due to fraud
- Strengthen the auditor's risk assessment procedures by applying a "fraud lens" and reinforce the appropriate exercise of professional scepticism in fraud-related procedures
- Enhance transparency to users of the report about fraud-related matters where appropriate.

15. Corporate failures and scandals across the globe in recent years have brought the topic of fraud to the forefront and led to questions from stakeholders about the role and responsibilities of the auditor relating to fraud in an audit of financial statements.

16. Fraud is an area of focus for the FMA in its audit quality monitoring (refer FMA's 2024 audit quality monitoring report, pages 11-14). The FMA noted the gap between what users of financial statements expect from auditors, and what auditors are required to do in accordance with the Auditing Standards.
17. These revisions bring the New Zealand requirements in line with evolving best practice standards internationally, and aim to enhance trust and confidence.
18. In our outreach, it was highlighted that implementing the revised standard would increase cost given the more in-depth risk assessment, and new requirements for documentation and transparency.
19. The NZAuASB considers, on balance, the benefits of enhanced clarity, strengthened risk assessment and enhanced transparency relating to fraud in the audit and maintaining international alignment outweigh the expected increased cost of audit.

Timing of adoption and application, issue and gazetting

20. At its June 2025 meeting, the NZAuASB discussed and agreed that the revised going concern and fraud standards, together with the refreshed suite of ISAs (NZ) incorporating the following amendments should be gazetted and issued together:
 - Conforming amendments as a result of the revised going concern standard;
 - Conforming amendments as a result of the revised fraud standard;
 - Narrow scope publicly traded entity amendments; and
 - Other editorial changes, including changing the name of IFRS Accounting Standards.
- ~~14.21. Further, the NZAuASB agreed not to permit early application. Issuing the suite of ISAs (NZ) together, with the same application date, will ensure that firms understand that they must be applied at the same time. The revisions affect the auditor's report and are to be applied together to avoid possible confusion for readers of auditor's reports.~~
- ~~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.~~
- ~~19. 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.~~
- ~~20. 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.~~

~~21.22. 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).~~

Australian process and harmonisation with Australia

22.23. 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

23.24. These paragraphs are not relevant for the revised ISA (NZ) 240.

Privacy

24.25. 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

25.26. 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 22 of the Financial Reporting Act 2013.

Consistency with XRB Financial Reporting Strategy

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

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

Recommendation

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

Attachments

- International Standard on Auditing (New Zealand) 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

- Certificate of determination
- Approval Certificate

Graeme Pinfold
Chair NZAuASB

Memorandum

To: John Kensington, Chair External Reporting Board

From: Graeme Pinfold, Chair NZAuASB

Subject: **Certificate Signing Memorandum:**
Reissued ISAs (NZ) and Amendments to Assurance Standards 2025

Date: ~~8 October~~ 12 December 2025

Introduction

1. In accordance with the protocols established by the XRB Board, the NZAuASB seeks your approval to ~~repeal-revoke~~ and re-issue ~~the a number of~~ International Standards on Auditing (New Zealand) (ISAs (NZ)) and to issue *Amendments to Assurance Standards 2025*.
2. The NZAuASB has identified several amendments that need to be made to ISAs (NZ) and other assurance standards including:
 - Conforming and consequential amendments to ISAs (NZ) as a result of revisions to ISA (NZ) 240 *The Auditor's Responsibilities Relating to Fraud in Audit of Financial Statements*.
 - Conforming and consequential amendments to ISAs (NZ) as a result of revisions to ISA (NZ) 570 *Going Concern*.
3. Amendments to ISAs (NZ) and Professional and Ethical Standards resulting from revisions related to publicly traded entities.
 - Other editorial changes to auditing and assurance standards and Professional and Ethical Standards, including change of the name of IFRS Accounting Standards.
4. Revisions to ISA (NZ) 240 and ISA (NZ) 570 were approved by the NZAuASB ~~in August 2025 and June 2025 respectively~~ separately. This signing memorandum explains the NZAuASB decisions and due process relating to publicly traded entities amendments and other editorial changes. It also explains how the NZAuASB decided to incorporate all the amendments into the standards.

Decisions relating to publicly traded entities

International process

5. The International Auditing and Assurance Standards Board (IAASB) issued Exposure Draft *Proposed Narrow Scope Amendments to International Standards on Quality Management, International Standards on Auditing and International Standard on Review Engagements 2400 (Revised) as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity in the IESBA Code* (IAASB Proposal) in January 2024.
6. The objective of this project was to align to the greatest extent possible with recent revisions to the definition of public interest entity in the Code of Ethics¹ issued by International Ethics Standards Board for Accountants (IESBA). The IAASB consulted whether, and to what

¹ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)

extent, the existing requirements relating to transparency in auditor's reporting and engagement quality reviews requirements should be expanded to apply to public interest entities.

7. The IAASB received 46 comment letters from its world-wide constituents. The XRB in their submission supported aligning the definition of public interest entity with the IESBA definition. We agreed it makes sense for the same term to be used and defined in the same way in international standards.
8. During the exposure draft period, the IAASB identified an issue of divergence between IAASB's Exposure Draft and the definition of public interest entities in the IESBA's Code. The IAASB noted concerns related to instances where jurisdictions have not adopted the IESBA public interest entity definition or have removed a mandatory public interest entity category from the definition. In these jurisdictions firms would be required to treat certain entities as public interest entities under the IAASB Proposal but not for the purposes of the IESBA Code.
9. As a result of this issue, the IAASB decided not to include the definition of public interest entity into the IAASB's standards at this time. The IAASB decided to monitor the uptake of the IESBA's public interest entity definition globally.
10. In the interim, the IAASB voted to adopt the term "publicly traded entity" (PTE) to replace "listed entity". This achieves alignment to the greatest extent possible at this time with the IESBA Code.
- 40:11. In February 2025, the IAASB issued *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*. It was issued for 45 days comment period. This additional consultation step was taken to provide clarity and transparency regarding the IAASB's position. The IAASB received 37 responses. The XRB did not submit, because the XRB did not have any new comments in addition to what was expressed in the first submission.
- 44:12. The IAASB approved "*Narrow Scope Amendments to the ISQMs, ISAs, and ISRE 2400 (Revised) as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity in the IESBA Code*" (the Pronouncement) with affirmative votes of 16 out of 16 IAASB members in June 2025.
- 42:13. In finalising the Pronouncement, the IAASB clarified, that local jurisdictions may define PTEs more explicitly, for example by making reference to specific public markets for trading securities, incorporating exemptions for specific types of entities, or setting size criteria. Additionally, The IAASB definition of PTE recognises that terms other than PTE might be used in a specific jurisdiction and clarifies that when other terms are applied to entities of significant public interest, such terms are regarded as equivalent to "publicly traded entity".

Domestic process

- 43:14. The NZAuASB issued a consultation paper exploring whether to adopt the NZ definition of a public interest entity into the ISAs (NZ) and consulted its constituency by seeking input from a wide range of targeted New Zealand constituents. The NZAuASB asked how the proposed changes will impact the New Zealand market given New Zealand definition is broad and includes all entities required to report in accordance with tier 1 reporting requirements.
- 44:15. The NZASB hosted a feedback forum, to collect verbal feedback, and received 6 comment letters (they can be found on the website [here](#)). At the conceptual level, most stakeholders agreed that the same definition of public interest entity should be used for the auditing standards, quality management and the code of ethics. However, the majority of

stakeholders considered that expanding the application of certain requirements to the NZ definition of public interest entities, given our broad definition, goes too far, and that the costs exceed the benefits.

45:16. Considering the feedback received, the NZAuASB's preference was to retain the current NZ settings, i.e., the additional transparency and engagement quality review requirements apply to FMC reporting entities considered to have a higher level of public accountability (FMC HLPAs), as these are considered fit for purpose for the New Zealand market.

46:17. In August 2025, the NZAuASB considered if and how to adopt the definition of a publicly traded entity (PTE) in addition to FMC HLPAs in New Zealand. The definition of a PTE differs slightly from listed entities as it includes all publicly accessible market mechanisms, which may be broader than listings on the NZX. The NZAuASB discussed:

- The merits of similar requirements across all publicly accessible trading platforms to level the playing field for all entities, and the need to avoid arbitrage opportunities.
- The regulatory settings in New Zealand recognise that markets such as Catalyst and Unlisted are not regulated like FMC reporting entities to keep costs down. Investors recognise this risk when investing on these exchanges.

47:18. On balance, the NZAuASB agreed to retain the current settings that certain requirements apply to FMC HLPAs entities, noting that these settings are still broader, including for example banks and insurance companies, than the international revised settings and are aligned with the regulatory settings that are in place to identify the entities of significant public interest in New Zealand. The NZAuASB determined that this is in line with the IAASB's approach to defining a publicly traded entity, which recognises that local laws and regulations may define publicly traded entities for purposes of defining entities that are considered public interest entities, by referring to specific public markets, incorporating exemptions or setting size criteria. Retaining the scope of the requirements to be applicable to FMC HLPAs audits is considered by the NZAuASB considered this as the simplest most appropriate setting, with the lowest risk on unintended consequences at this time.

48:19. The NZAuASB considers that international alignment is achieved, because:

- FMC HLPAs definition includes entities listed on New Zealand Stock Exchange. These are PTEs that are of significant public interest in New Zealand.
- Some entities trading on platforms for smaller or medium sized entities might meet the regulatory definition of FMC HLPAs, because they would be recognised as entities of significant public interest by the regulator.

49:20. As a result, the NZAuASB decided that it was not necessary to include the definition of publicly traded entity in ISAs (NZ) and the quality management standards. This approach is consistent with previous drafting practices, where the definition of "listed entities" was not included in auditing and assurance standards. The FMC HLPAs definition is included in place of PTE².

20:21. The NZAuASB decided to adopt all other amendments included in the IAASB Pronouncement, including a framework when it may be appropriate to apply the additional transparency and engagement quality review requirements to other entities. These amendments impact mainly ISA (NZ) 200³ and PES 3⁴.

² PTE definition remains unchanged in Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1)*. The ethical requirements in PES 1 relating to PTEs might apply to audits of different entities than in ISAs (NZ) and the quality management Standards.

³ ISA (NZ) 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (New Zealand)

⁴ Professional and Ethical Standard 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

Australian process and harmonisation with Australia

24.22. The Auditing and Assurance Standards Board (AUASB) released an exposure draft *Proposed Narrow Scope Amendments to International Standards on Quality Management, International Standards on Auditing and International Standard on Review Engagements 2400 (Revised) as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity in the IESBA Code* on 5 February 2024, which was open for comment until 25 March 2024. Two written submissions were received that generally supported the proposals.

23. The AUASB has not identified any issues ~~to-date~~ with including the definition of a PTE and referring to PTEs as in the final IAASB Pronouncement. Our understanding is that Australian PTEs are already captured within the definition of listed entities in Australia: entities trading on other markets than Australian Stock Exchange, for example National Stock Exchange or Cboe, are considered listed entities. Therefore, the change from “listed” to PTE does not have any significant consequences for Australia.

22.24. The AUASB approved narrow scope amendments relating to PTE in November 2025.

23.25. We note that the New Zealand requirements do still apply more broadly than in Australia.

Repeal- Revoke and Reissue International Standards on Auditing (New Zealand)

Background

24.26. Conforming and consequential amendments are changes made to related standards to ensure consistency and alignment following the revision of a primary standard. Conforming and consequential amendments help maintain coherence across the standards, that all standards work together.

25.27. Revisions to ISA (NZ) 240, ISA (NZ) 570 and amendments resulting from IAASB’s PTE Pronouncement necessitate updates to references and terminology in multiple ISAs (NZ) to reflect new concepts introduced or new paragraphs added to the current suite of the standards.

26.28. The NZAuASB also identified several editorial changes to ISAs (NZ) including:

- (a) change of accounting standards name issued by the International Accounting Standards Board (IASB) from “International Financial Reporting Standards” to “IFRS Accounting Standards” and
- (b) change of accounting standards issued by New Zealand Accounting Standards Board from “New Zealand equivalents to International Financial Reporting Standards” to “New Zealand equivalents to IFRS Accounting Standards”
- (c) change of references to NZ IFRS 18 and NZ IAS 8 instead of current references to NZ IAS 1
- (d) Other editorial corrections.

29. While the nature of each of these amendments is not significant individually, they are numerous and affect multiple standards.

27.30. The NZAuASB also agreed to simplify the naming convention for the ISAs (NZ), and to remove “revised” from the titles. This will be applied to all ISAs (NZ) to avoid inconsistencies, where some standards have been revised multiple times and others only impacted by conforming amendments.

Compilation of amendments into ISAs (NZ)

- 28.31.** Auditing and assurance standards issued by the NZAuASB under delegated authority of the External Reporting Board are secondary legislation under the Legislation Act 2019. They are therefore legally binding and have the force of law.
- 29.32.** Compiled versions of the standards, which consolidate the principal standard and amendments are not secondary legislation. They are provided for ease of use but do not carry legal status unless formally issued as secondary legislation.
- 30.33.** The ISAs (NZ) were originally issued in 2011 with many having been amended multiple times since then. For example, ISA (NZ) 200 has been amended 15 times to date.
- 34.** To streamline the secondary legislation issued by the XRB, the NZAuASB has opted to ~~repeal-revoke~~ and to reissue ~~the affected~~ ~~the whole suitall of~~ ISAs (NZ) rather than issue amending standards and then ~~consolidate-compile~~ the current ISAs (NZ) and the amendments. The new versions of ISAs (NZ) incorporate all historical amendments as well as the latest changes resulting from amendments listed above. The new version of the standards holds the status of secondary legislation.
- 34.35.** The revocation occurs at the time the reissued ISAs (NZ) are legally effective (28 days after gazetting), however the revoked ISAs (NZ) are still to be used until the commencement date of the reissued ISAs (NZ).
- 32.36.** The list of the ~~affected~~ ISAs (NZ) is included in the Appendix. The list includes all standards except ISA (NZ) 240 and ISA (NZ) 570, because they have been revised and issued separately. Additionally, the NZAuASB plans to publish a marked-up version of the changes for each of the ~~replaced-reissued~~ ISAs (NZ) to help users identify the changes resulting from the above-mentioned amendments.
- 33.37.** Conforming amendments and editorial changes that do not impact ISAs (NZ) have been grouped into an amending standard, *Amendments to Assurance Standards 2025*. It includes amendments to PES 3, PES 4⁵ and NZ AS 1 (Revised)⁶ and assurance standards.
- 34.38.** The application date for the reissued ISAs (NZ) and amendments to the assurance standards ~~all the conforming amendments~~ is for accounting periods beginning on or after 15 December 2026. This date aligns with the application date for revised fraud and going concern standards. They are intended to be adopted as a package. The revisions resulting from going concern and fraud standards affect the auditor's report and are to be applied together to avoid possible confusion for readers of auditor's reports. Therefore, early adoption is not permitted.

Privacy

- 35.39.** 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. No such consultation is required in relation to the *Reissued ISAs (NZ) and other conforming amendments* as there is not broadening of the scope of the existing requirements.

Due process

- 36.40.** Revisions to ISA (NZ) 240 and ISA (NZ) 570 were approved by the NZAuASB in August 2025 and ~~June~~ October 2025 respectively. The conforming and consequential amendments to these standards were exposed as part of those projects with no feedback received from New Zealand stakeholders specific to these conforming and consequential amendments.

⁵ Professional and Ethical Standard 4, *Engagement Quality Reviews*

⁶ New Zealand Auditing Standard 1 (Revised), *Audit of Service Performance Information*

37.41. The revisions in respect of the IAASB's PTE changes were exposed in New Zealand, and the overwhelming feedback received was to retain the extant New Zealand references to FMC HLPAs. This is already broader than the PTE approach adopted internationally and in Australia.

38.42. We consider that section 22(1) of the Financial Reporting Act 2013 does not apply in relation to the other editorial amendments and that a formal public consultation/engagement is not necessary because:

- The amendments are consequential in nature and result from adoption of other standards by the XRB.
- The changes are minor and relate to updating references to other standards or updating terminology that was approved when the standards were approved.
- The changes do not change any intention of the current requirements or application material in any of the standards.

39.43. 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)22 of the Financial Reporting Act 2013.

Consistency with XRB Financial Reporting Strategy

40.44. The revocation and reissue of ISAs (NZ) adoption of Standard 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.

41.45. The decision not to adopt the PTE definition, but retain the definition of FMC HLPAs, in the view of the NZAuASB achieves the XRB's strategy of internationally aligned and locally relevant, i.e. it allows New Zealand standards to align with the international standards with appropriate amendment for the New Zealand context.

Cost/benefit analysis

42.46. Reissued ISAs (NZ) and *Amendments to Assurance Standards 2025* do not ~~create~~ are not substantial in their nature, they do not result in add any substantial new requirements for practitioners. We do not expect practitioners to incur significant costs as a result of the changes. that cost of these changes will be insignificant for the practitioners.

43.47. The benefit is that the practitioners will be able to use standards that are interoperable and aligned within the suite of XRB standards and in addition have all amendments combined together.

Other matters

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

Recommendation

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

Attachments

- ISAs (NZ) approved for ~~repeal~~ revocation and reissue by the NZAuASB as per appendix 1
- Amendments to Assurance standards 2025 (list of amended standards as per appendix 2)

- Certificate of determination
- Approval Certificate

Graeme Pinfold
Chair NZAuASB

APPENDIX 1

International Standards on Auditing (New Zealand) ~~repealed~~~~revoked~~ and reissued

- ISA (NZ) 200₁ *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (New Zealand)*
- ISA (NZ) 210₁ *Agreeing the Terms of Audit Engagements*
- ISA (NZ) 220₁ ~~(Revised)~~ *Quality Management for an Audit of Financial Statements*
- ISA (NZ) 230₁ *Audit Documentation*
- ISA (NZ) 250₁ ~~(Revised)~~ *Consideration of Laws and Regulations in an Audit of Financial Statements*
- ISA (NZ) 260₁ ~~(Revised)~~ *Communication with Those Charged with Governance*
- ISA (NZ) 265₁ *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*
- ISA (NZ) 300₁ *Planning an Audit of Financial Statements*
- ~~ISA (NZ) 315₁ (Revised 2019)~~ *Identifying and Assessing the Risks of Material Misstatement*
- ISA (NZ) 320₁ *Materiality in Planning and Performing an Audit*
- ~~ISA (NZ) 330₁ *The Auditor's Responses to Assessed Risks*~~
- ISA (NZ) 402₁ *Audit Considerations Relating to an Entity Using a Service Organisation*
- ISA (NZ) 450₁ *Evaluation of Misstatements Identified during the Audit*
- ~~ISA (NZ) 500₁ *Audit Evidence*~~
- ISA (NZ) 501₁ *Audit Evidence – Specific Considerations for Selected Items*
- ISA (NZ) 505₁ *External Confirmations*
- ~~ISA (NZ) 510₁ *Initial Audit Engagements – Opening Balances*~~
- ISA (NZ) 520₁ *Analytical Procedures*
- ISA (NZ) 530₁ *Audit Sampling*
- ISA (NZ) 540₁ ~~(Revised)~~ *Auditing Accounting Estimates and Related Disclosures*
- ISA (NZ) 550₁ *Related Parties*
- ISA (NZ) 560₁ *Subsequent Events*
- ISA (NZ) 580₁ *Written Representation*
- ISA (NZ) 600₁ ~~(Revised)~~ *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*
- ~~ISA (NZ) 610₁ (Revised 2013)~~ *Using the Work of Internal Auditors*
- ISA (NZ) 620₁ *Using the Work of an Auditor's Expert*
- ISA (NZ) 700₁ ~~(Revised)~~ *Forming an Opinion and Reporting on Financial Statements*
- ISA (NZ) 701₁ *Communicating Key Audit Matters in the Independent Auditor's Report*
- ISA (NZ) 705₁ ~~(Revised)~~ *Modifications to the Opinion in the Independent Auditor's Report*
- ISA (NZ) 706₁ ~~(Revised)~~ *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*

- ISA (NZ) 710₁ *Comparative Information – Corresponding Figures and Comparative Financial Statements*
- ISA (NZ) 720₁ ~~(Revised)~~ *The Auditor's Responsibility Relating to Other Information*
- ISA (NZ) 800₁ ~~(Revised)~~ *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*
- ISA (NZ) 805₁ ~~(Revised)~~ *Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*
- ISA (NZ) 810₁ ~~(Revised)~~ *Engagements to Report on Summary Financial Statements*

APPENDIX 2

Assurance Standards amended by Amendments to Assurance Standards 2025 approved by the NZAuASB in October 2025

- External Reporting Board Standard (XRB) Au1 *Application of Auditing and Assurance Standards*
- Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*
- Professional and Ethical Standard 3, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*
- Professional and Ethical Standard 4, *Engagement Quality Reviews*
- New Zealand Auditing Standard 1 (Revised), *Audit of Service Performance Information*
- ~~International Standard on Auditing (New Zealand) 501, *Audit Evidence – Specific Considerations for Selected Items*~~
- International Standard on Assurance Engagements (New Zealand) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*
- ISAE (NZ) 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information in a Prospectus*
- Standard on Assurance Engagements 3450, *Assurance Over Financial Information Prepared in Connection with a Capital Raising*
- International Standard on Related Services (New Zealand) 4400, *Agreed-upon Procedures Engagements*

Reissued ISAs (NZ) and amendments to assurance standards 2025

Explanation for decisions made



October
December 2025

**Explanation for decisions made:
Reissued ISAs (NZ) and Amendments to Assurance Standards 2025**

This document relates to, but does not form part of the reissued International Standards on Auditing (New Zealand) (ISAs (NZ)) and Amendments to Assurance Standards 2025 which were approved in ~~October~~ December 2025.

It explains the decision made by the New Zealand Auditing and Assurance Standards Board (NZAuASB) not to use the term publicly traded entity in the ISAs (NZ) and Professional and Ethical Standards 3¹ and 4².

It also explains our approach to reissue the ISAs (NZ) rather than to issue multiple amending standards.

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ISBN [To be updated]

¹ PES 3, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

² PES 4, *Engagement Quality Reviews*



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Introduction

The NZAuASB has identified several amendments that need to be made ~~in 2025~~ to the ISAs (NZ) including:

- Amendments to ISAs (NZ) and Professional and Ethical Standards resulting from revisions related to publicly traded entities
- Conforming and consequential amendments to ISAs (NZ) as a result of revised ISA (NZ) 240 *The Auditor's Responsibilities Relating to Fraud in Audit of Financial Statements*
- Conforming and consequential amendments to ISAs (NZ) as a result of revised ISA (NZ) 570 *Going Concern*
- Other editorial changes, including change of the name of IFRS Accounting Standards.

The XRB's usual approach is to prepare an amending standard and then compile the amendments into a published consolidated version of the standard. Given the number of standards impacted by the above projects, we took this opportunity to reissue ~~many of~~ the ISAs (NZ) to start afresh. We will do this by ~~repeating-revoking~~ the ~~extant-existing~~ standards, as many of them were issued in 2011 and have had multiple amendments to date and ~~will~~ reissuing new principal standards that incorporate all of the amendments. These changes are conforming and consequential in nature. ~~For transparency, w~~ We will publish a markup of the standards on our website, so that there is transparency over the changes we have made.

This explanation for decisions made includes two parts.

Part 1 explains the decision made by the NZAuASB not to use the term publicly traded entity in the ISAs (NZ) and in Professional and Ethical Standards 3 and 4. It also explains how the NZAuASB decision achieves international alignment with standards issued by the International Auditing and Assurance Standards Board (IAASB).

Part 2 explains how the NZAuASB has chosen to combine the amendments in new standards and as a consequence, ~~repeat-revoke and reissue~~ the ~~current version of the~~ ISAs (NZ) as listed in the Appendix.

Part 1 Amendments Relating to Publicly Traded Entities

Background

1. In August 2025 the International Auditing and Assurance Standards Board (the IAASB) issued *Narrow Scope Amendments to the ISQMs, ISAs, and ISRE 2400 (Revised) as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity in the IESBA³ Code* (the IAASB pronouncement).
2. The IAASB Pronouncement explains that some requirements in International Standards on Auditing (ISAs) relate to audits of entities that have significant public interest in the financial condition of these entities due to their potential impact on financial well-being of their stakeholders. It also notes that entities of significant public interest face heightened stakeholder expectations regarding their audits.
3. The IAASB Pronouncement additionally:
 - explains that publicly traded entities are entities of significant public interest
 - includes a definition of publicly traded entity (PTE), and

³ International Ethics Standards Board for Accountants, *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code)

- recognises local standard setters' role in defining publicly traded entities for the purpose of local jurisdictions, including allowing ~~to apply~~ local terms to be applied, instead of publicly traded entity.
4. The requirements that apply to audits of publicly traded entities include:
 - increased transparency in audit reports through inclusion of key audit matters, other information paragraphs and the name of the signing partner.
 - additional communications with those charged with governance.
 - mandatory engagement quality review.
 5. Internationally, the requirements that previously applied to listed entities will now apply to PTEs. Therefore, the group of entities subject to these requirements has been broadened internationally.

Application for New Zealand resulting from the IAASB's Pronouncement

6. In New Zealand, the requirements referred to in paragraph 4 above are already applied even more broadly. They apply to FMC reporting entities 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 the Financial Markets Conduct Act 2013⁴.
7. The XRB has a strategic objective to adopt international auditing and assurance standards to apply in New Zealand unless there are compelling reasons not to. The XRB is committed to ensuring that New Zealand standards remain internationally aligned, while also being locally relevant to reflect New Zealand's unique regulatory environment.
8. The NZAuASB considered how the IAASB Pronouncement impacts New Zealand standards and how the definition of publicly traded entity could be applied in New Zealand circumstances.
9. The IAASB defines publicly traded entity 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*".
10. There are recognised trading platforms in New Zealand that cater to small and medium-sized entities. Entities listed on these platforms may meet the IAASB's definition of a publicly traded entity as their financial instruments are traded through a public market mechanism. However, these entities do not fall under the regulatory definition of a FMC reporting entity. These markets are subject to lighter regulatory oversight, with the aim of reducing compliance costs and administrative burdens for smaller and medium-sized entities.
11. The NZAuASB considered:
 - The merits of having similar requirements across all publicly accessible trading platforms to ensure a level playing field for all entities, and to prevent entities from exploiting differences between regulatory frameworks.
 - That markets such as Catalyst and Unlisted operate under different oversight compared to FMC reporting entities, primarily to reduce compliance costs. Investors are generally aware of and accept the additional risks associated with investing on these alternative exchanges.

⁴ Financial Markets Conduct Act 2013, section 461K

12. The NZAuASB determined that applying the requirements mentioned in paragraph 4 to FMC HLPAs is fit for purpose in New Zealand. These settings are aligned with the regulatory setting that are in place to identify the entities of significant public interest.
13. The IAASB's Pronouncement permits-acknowledges that jurisdictional standard setters may to define a PTE more explicitly in a specific for their jurisdiction. The IAASB definition of PTE recognises that terms other than PTE might be used in a specific jurisdiction and clarifies that when other terms are applied to entities of significant public interest, such terms are regarded as equivalent to "publicly traded entity".
14. The NZAuASB considers that international alignment is achieved by retaining the existing settings in the requirements mentioned in paragraph 4 applicable to FMC HLPAs, because:
 - FMC HLPAs definition includes entities listed on New Zealand Stock Exchange. These are PTEs that are of significant public interest in New Zealand.
 - Some entities trading on platforms for smaller or medium sized entities might meet the regulatory definition of FMC HLPAs. In this case the requirements mentioned in paragraph 4 will apply to audits of these entities.

Part 2 ~~Repeat~~ **Revoke** and Reissue International Standards on Auditing (New Zealand)

Background

15. During 2025, the NZAuASB approved:
 - revised ISA (NZ) 570 *Going Concern*;
 - revised ISA (NZ) 240 *The Auditor's Responsibilities Relating to Fraud in Audit of Financial Statements*;
 - amendments resulting from the IAASB Pronouncement relating to publicly traded entities (as per Part 1 of this document).
16. Revisions to ISA (NZ) 570 and ISA (NZ) 240 result in conforming and consequential amendments to many ISAs (NZ).
17. Conforming and consequential amendments are changes made to related standards to ensure consistency and alignment following the revision of a primary standard. Conforming and consequential amendments help maintain coherence across the standards, that all standards work together.
18. Revisions to ISA (NZ) 240, ISA (NZ) 570 and amendments resulting from the IAASB Pronouncement necessitate updates to references and terminology in multiple ISAs (NZ) to reflect new concepts introduced or new paragraphs added to the current suite of the standards.
- 17-19. The NZAuASB also identified several editorial changes to ISAs (NZ) that include:
 - change of accounting standards name issued by the International Accounting Standards Board (IASB) from "International Financial Reporting Standards" to "IFRS Accounting Standards" and
 - change of accounting standards issued by New Zealand Accounting Standards Board from "New Zealand equivalents to International Financial Reporting Standards" to "New Zealand equivalents to IFRS Accounting Standards"

- change of references to NZ IFRS 18 and NZ IAS 8 instead of current references to NZ IAS 1.
- Further editorial changes.

~~18-20.~~ While the nature of each of these amendments is not significant individually, they are numerous and affect multiple standards.

~~19-21.~~ The NZAuASB also agreed to simplify the naming convention for the ISAs (NZ), and to remove “revised” from the titles. This will be applied to all ISAs (NZ) to avoid inconsistencies, where some standards have been revised multiple times and others only impacted by conforming amendments.

Compilation of amendments into ISAs (NZ)

~~20-22.~~ Auditing and assurance standards issued by the NZAuASB under delegated authority of the External Reporting Board are secondary legislation under the Legislation Act 2019. They are therefore legally binding and have the force of law.

~~21-23.~~ Compiled versions of the standards, which consolidate the principal standard and amendments are not considered to be the secondary legislation. They are provided for ease of use but do not carry legal status unless formally issued as secondary legislation.

~~22-24.~~ The ISAs (NZ) were originally issued in 2011 with many having been amended multiple times since then. For example, ISA (NZ) 200⁵ has been amended 15 times to date.

~~25.~~ To streamline the secondary legislation issued by the XRB, the NZAuASB has opted to **repeat revoke** the affected ISAs (NZ) and to reissue them rather than issue amending standards and then consolidate the current ISAs (NZ) and the amendments. The new versions of ISAs (NZ) incorporate all historical amendments as well as the latest changes resulting from amendments listed above. The new version of the standards hold the status of secondary legislation.

~~23-26.~~ The revocation occurs at the time the reissued ISAs (NZ) are legally effective (28 days after gazetting), however the revoked ISAs (NZ) are still to be used until the commencement date of the reissued ISAs (NZ).

~~24-27.~~ The list of ~~the~~ affected ISAs (NZ) is included in ~~the~~ Appendix 1 ~~(this is a complete list of ISAs (NZ) standards except of ISA (NZ) 240 an ISA (NZ) 570, which have been revised and issued separately)~~. Additionally, the NZAuASB will publish a marked-up version of the replaced ISAs (NZ) to help users identify the changes resulting from the above-mentioned amendments.

Amendments to other standards

~~25-28.~~ The amendments that do not impact ISAs (NZ) have been grouped into an amending standard, *Amendments to Assurance Standards 2025*. The list of the standards amended is included in Appendix 2.

Early adoption not permitted

~~26-29.~~ The application date for all the conforming amendments is for accounting periods beginning on or after 15 December 2026. They are intended to be adopted as a package. The revisions resulting from going concern and fraud standards affect the auditor’s report and are to be applied together to avoid possible confusion for readers of auditor’s reports. Therefore, early adoption is not permitted.

⁵ ISA (NZ) 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (New Zealand)*

Appendix 1

~~Repeated/Revoked~~ and reissued International Standards on Auditing (New Zealand) approved by the NZAuASB: ~~in October 2025~~

- ISA (NZ) 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (New Zealand)*
- ISA (NZ) 210, *Agreeing the Terms of Audit Engagements*
- ISA (NZ) 220, ~~(Revised)~~ *Quality Management for an Audit of Financial Statements*
- ISA (NZ) 230, *Audit Documentation*
- ISA (NZ) 250, ~~(Revised)~~ *Consideration of Laws and Regulations in an Audit of Financial Statements*
- ISA (NZ) 260, ~~(Revised)~~ *Communication with Those Charged with Governance*
- ISA (NZ) 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*
- ISA (NZ) 300, *Planning an Audit of Financial Statements*
- ~~ISA (NZ) 315, (Revised 2019)~~ *Identifying and Assessing the Risks of Material Misstatement*
- [ISA \(NZ\) 320, Materiality in Planning and Performing an Audit](#)
- ~~ISA (NZ) 330, The Auditor's Responses to Assessed Risks~~
- [ISA \(NZ\) 402, Audit Considerations Relating to an Entity Using a Service Organisation](#)
- ISA (NZ) 450, *Evaluation of Misstatements Identified during the Audit*
- ~~ISA (NZ) 500, Audit Evidence~~
- [ISA \(NZ\) 501, Audit Evidence – Specific Considerations for Selected Items](#)
- ISA (NZ) 505, *External Confirmations*
- ~~ISA (NZ) 510, Initial Audit Engagements – Opening Balances~~
- [ISA \(NZ\) 520, Analytical Procedures](#)
- ISA (NZ) 530, *Audit Sampling*
- ISA (NZ) 540, ~~(Revised)~~ *Auditing Accounting Estimates and Related Disclosures*
- ISA (NZ) 550, *Related Parties*
- ISA (NZ) 560, *Subsequent Events*
- ISA (NZ) 580, *Written Representation*
- ISA (NZ) 600, ~~(Revised)~~ *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*
- ~~ISA (NZ) 610, (Revised 2013)~~ *Using the Work of Internal Auditors*
- [ISA \(NZ\) 620, Using the Work of an Auditor's Expert](#)
- ISA (NZ) 700, ~~(Revised)~~ *Forming an Opinion and Reporting on Financial Statements*
- ISA (NZ) 701, *Communicating Key Audit Matters in the Independent Auditor's Report*
- ISA (NZ) 705, ~~(Revised)~~ *Modifications to the Opinion in the Independent Auditor's Report*

- ISA (NZ) 706. ~~(Revised)~~ *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*
- ISA (NZ) 710. *Comparative Information – Corresponding Figures and Comparative Financial Statements*
- ISA (NZ) 720. ~~(Revised)~~ *The Auditor's Responsibility Relating to Other Information*
- ISA (NZ) 800. ~~(Revised)~~ *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*
- ISA (NZ) 805. ~~(Revised)~~ *Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*
- ISA (NZ) 810. ~~(Revised)~~ *Engagements to Report on Summary Financial Statements*

Appendix 2

Assurance Standards amended by Amendments to Assurance Standards 2025 approved by the NZAuASB in October 2025

- External Reporting Board Standard (XRB) Au1 *Application of Auditing and Assurance Standards*
- Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*
- Professional and Ethical Standard 3, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*
- Professional and Ethical Standard 4, *Engagement Quality Reviews*
- New Zealand Auditing Standard 1 (Revised), *Audit of Service Performance Information*
- ~~International Standard on Auditing (New Zealand) 501, *Audit Evidence – Specific Considerations for Selected Items*~~
- International Standard on Assurance Engagements (New Zealand) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*
- ISAE (NZ) 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information in a Prospectus*
- Standard on Assurance Engagements 3450, *Assurance Over Financial Information Prepared in Connection with a Capital Raising*
- International Standard on Related Services (New Zealand) 4400, *Agreed-upon Procedures Engagements*

NZAuASB Board meeting summary paper

Meeting date: 19 November 2025

Subject: **Sustainability assurance, ethics and independence and using the work of an external expert**

Date: 3 December 2025

Prepared by: Karen Tipper

Reviewed by: Misha Pieters

☐ **Action Required**

☐ **For Information Purposes Only**

Agenda item objectives

1. The objectives of this agenda item are that the Board:
 - (a) CONSIDERS the analysis of feedback from the consultation on Sustainability assurance, Ethics and Independence and Using the Work of an External Expert.
 - (b) AGREES any changes needed as a result of feedback received.
 - (c) APPROVES the following standards with an applicable date of periods beginning on or after 15 December 2026, with early adoption permitted:
 - i. International Standard on Sustainability Assurance (New Zealand) (ISSA (NZ)) 5000, *General Requirements for Sustainability Assurance Engagements*
 - ii. A new version of Professional and Ethical Standard (PES) 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) that includes the International Ethics Standards for Sustainability Assurance (including International Independence Standards) (New Zealand) (IESSA (NZ)) and Revisions to the Code Addressing Using the Work of an External Expert
 - iii. Amendments resulting from the issue of ISSA (NZ) 5000
 - (d) APPROVES to revoke:
 - i. Extant PES 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)
 - (e) APPROVES the signing memorandum to accompany the standards. The Basis for Conclusions document will be drafted from material within these papers following the board meeting, dependent on the discussion and decisions of the NZAuASB.
 - (f) PROVIDES input as to the ongoing need for the temporary standard NZ SAE 1¹ or whether to retain and maintain NZ SAE 1 with additional amendments at this time.

¹ NZ SAE 1 Assurance Engagements over Greenhouse Gas Emissions Disclosures

Background

2. Following approval at the NZAuASB's June meeting, the consultation document - Alignment with international standards: Sustainability Assurance, Ethics and Independence, and Using the Work of an External Expert was issued on 31 July 2025. The consultation closed on 10 October 2025.
3. This consultation proposed:
 - (a) Making the following three international standards available for use in New Zealand:
 - i. ED International Standard on Sustainability Assurance (New Zealand) 5000, General Requirements for Sustainability Assurance Engagements (ISSA (NZ) 5000)
 - ii. ED International Ethics Standards for Sustainability Assurance (including International Independence Standards) (New Zealand) (IESSA (NZ))
 - iii. ED Revisions to the Code Addressing Using the Work of an External Expert (Expert revisions)
 - (b) Amending NZ SAE 1 to include an additional option to use ISSA (NZ) 5000 for mandatory greenhouse gas assurance. The consultation document highlighted that the XRB had decided not to withdraw or replace NZ SAE 1 but would continue to actively monitor the market to inform future decisions about the temporary standard. This would give time to observe how other jurisdictions and the diverse range of practitioners may adopt or apply the new international standards.
 - (c) Retaining ISAE (NZ) 3410² as an option in NZ SAE 1.
4. Outreach conducted during the consultation process included:
 - (a) 3 deep dive webinars, one on each Exposure Draft (ED), where participants completed polls.
 - (b) Virtual panel event to explore the international considerations of development the package of standards and the current market in New Zealand for sustainability assurance.
 - (c) A targeted workshop attended by 16 assurance practitioners from both accounting firms, sustainability assurance practices and the public sector. Feedback from the workshop is summarised in the appendix to the analysis paper.
 - (d) One to one meetings with various stakeholders.
5. 10 written submissions were received: 2 from professional bodies, 1 from a sustainability assurance standard setter, 4 from professional services firms, 1 from the OAG, 1 from a carbon verification firm and 1 from a sustainability think tank.

Matters to consider

Making the international standards available for use in New Zealand

6. There was overwhelming support for making the proposed new international standards available for use in New Zealand. All written feedback supported making these standards available for use in New Zealand. All practitioners from various backgrounds, at the workshop, indicated that their firms would transition to the international standards on sustainability assurance and ethics and independence for sustainability assurance. We also heard support from the regulator to adopt these standards.

² ISAE (NZ) 3410, Assurance of Greenhouse Gas Statements

7. Given this support, staff recommend that the Board agree to make the standards available for use in New Zealand. **Does the board agree to adopt these international standards?**
8. The IESSA (NZ) has been included as part 5, a new section of PES 1 in the attachments.
9. Given the extent of the changes to PES 1, staff recommend that we revoke and reissue PES 1 with these changes included. **Does the Board agree with this recommendation?**

Applicable Date

10. All feedback supported the applicable date of periods beginning on or after 15 December 2026 to align with the effective dates of the international standards.
11. Staff recommend that all standards be applicable from 15 December 2026 and that early adoption is permitted. **Does the Board agree?**

More detailed drafting considerations

Paragraphs to refer to NZ SAE 1 for mandatory assurance in both ISSA (NZ) 5000 and IESSA (NZ)

12. Some respondents did not support the proposed NZ signposting paragraphs in ED ISSA (NZ) 5000 (NZ8.1) and the ED IESSA (NZ) (R5100.1) that refer back to NZ SAE 1 for the mandatory GHG assurance requirements as they found the paragraphs confusing and may be misinterpreted.
13. Based on our analysis of the feedback received, staff recommend a change from what was exposed and that these signposting paragraphs are not included in the final standards. **Does the board agree to remove these paragraphs?**

NZ amendments in ISSA (NZ) 5000

14. All submissions supported the following proposed NZ changes:
 - (a) NZ190 D to require a statement in the assurance report about relationships and interests consistent with changes made through all XRB assurance standards. One submitter sought additional clarity, however staff consider this can be done through a basis for conclusions.

It was highlighted that the requirement was not included in the illustrative assurance reports in the appendices of the ED. This has now been included in the ISSA (NZ) 5000 illustrative assurance reports with wording that mirrors the wording in Appendix 2 of ISAE (NZ) 3000 (Revised).
 - (b) References to listed entities are adjusted to refer to Financial Markets Conduct (FMC) reporting entities with a higher level of public accountability (FMC HLPAs).
15. One submission highlighted that ED ISSA (NZ) 5000 did not include a responsibility to communicate to those charged with governance related to error but instead refers to management. Based on our analysis of the submissions, staff recommend that a holistic requirement be included in ISSA (NZ) 5000 relating to the use of the terms management and those charged with governance and have included this in the draft standard at paragraph NZ7.1.
16. **Does the Board agree with the changes made in the updated draft ISSA (NZ) 5000?**

NZ amendments in IESSA (NZ)

17. All submissions supported the proposed replication of relevant PES 1 NZ amendments in the IESSA (NZ) which include the following:
 - (a) application material to advise practitioners to seek legal advice when disclosing confidential information (NZ 5114.3 A1.1)

- (b) amendments relating to the disclosure of safeguards (NZ R5310.9.1, NZ R5310.9.2 and NZ R5310.12.1) and service as a director or officer (NZ R5523.3.1)
 - (c) amendments relating to a prohibition for an assurance practitioner to accept or pay referral fees (NZR5330.5)
 - (d) a requirement, when an assurance practitioner identifies multiple threats to independence, which individually may not be significant, to evaluate the significance of those threats in aggregate and apply safeguards to eliminate or reduce them to an acceptable level (NZ R5400.19.1)
 - (e) additional application material regarding the provision of tax advisory planning and advisory services (NZ 5604.12.A2.1).
18. One submission highlighted that the IESBA has included a requirement for a public interest entity to disclose fees for sustainability assurance where the entity has not and that this should not be the role of an assurance practitioner. XRB staff has raised this internally with the sustainability team and the NZASB and will continue to do so. Staff do not recommend any further changes to the IESSA (NZ).

19. Does the Board agree with the staff recommendations?

Conforming amendments resulting from ISSA (NZ) 5000

20. No comments were received on the conforming amendments resulting from ISSA (NZ) 5000. Below we reflect on the feedback we heard on the amendments to NZ SAE 1. We have combined these into one amending standard. The amendments relating to NZ SAE 1 are greyed dependent on the matters discussed below.
21. In terms of the conforming amendments to PES 3³, we reflected on stakeholder feedback that noted inconsistencies in when an engagement quality review (EQR) is required. In NZ SAE 1, the XRB has required an EQR for the mandatory GHG assurance engagements. To ensure consistency, we recommend that this requirement is also reflected in PES 3 and have added this to the amending standard.

22. Does the Board agree with this addition?

Approach for the mandatory assurance over greenhouse gas emissions (GHG) disclosures

Background on the development of the temporary standard

23. The XRB established a temporary assurance standard, NZ SAE 1, in 2023. It was purposefully a temporary standard because:
- (a) at that time, evidence in the voluntary GHG assurance market was that there was around a 50/50 split in use of ISAE (NZ) 3410 and the ISO standard to conduct GHG assurance engagements
 - (b) there was a need to keep the regime open to all competent, independent assurance practitioners. This was a new regime and there was concern at availability of necessary expertise.
 - (c) there were ongoing developments in international standards so it was recognised that best practice standards were still evolving.
 - (d) There were ongoing discussions about whether the scope of mandatory assurance would expand beyond the GHG emissions and how the assurance regime would be regulated.

³ PES 3, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

How the context has changed

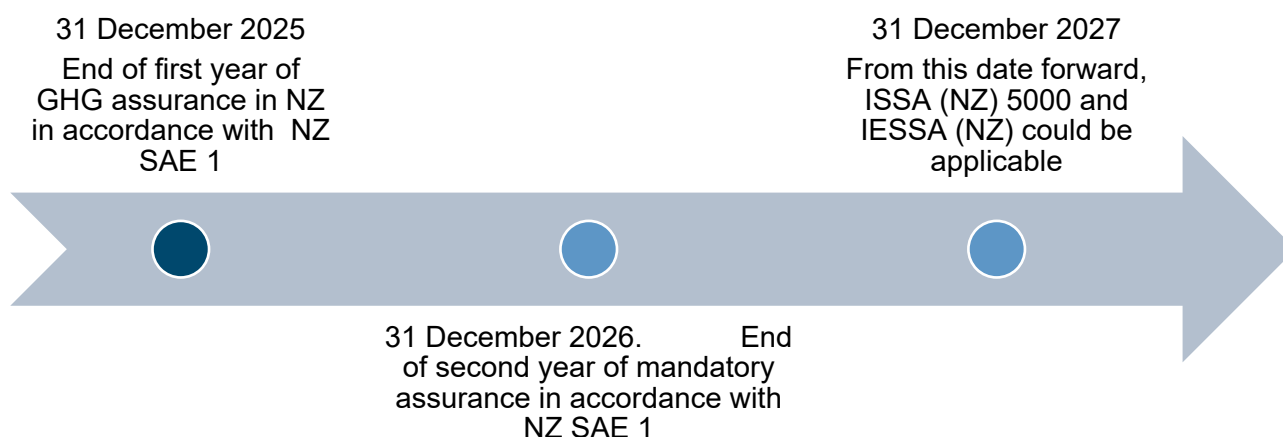
24. Our context has changed significantly from when the temporary standard was issued. With the move to mandatory assurance we have evidence that the majority of assurance reports (close to 90%) in New Zealand refer to ISAE (NZ) 3410 and 85% of assurance reports refer to the use of PES 1 (refer to updated snapshot agenda item). The Government announcement has reduced the number of entities who are required to report and have assurance. The XRB has extended the adoption provisions for the reporting and assurance of scope 3 GHG emissions by a further 2 years, to enable more time for preparers to prepare for scope 3 GHG emission reporting and time for assurance methods to evolve, with a view to ensure there is high quality, credible information.
25. Now that the IAASB and the IESBA have issued the new international standards, with the objective to be practitioner neutral, we consulted on whether we should make the new standards available for use in New Zealand. The consultation document highlighted that the XRB had decided not to withdraw NZ SAE 1 at this stage, while we learnt more about global adoption of the new standards, and how a diverse range of practitioner may adopt these standards.

Feedback on the ongoing need for the temporary standard and the addition of options

26. There was mixed feedback on:
 - (a) the ongoing need for the temporary standard; and
 - (b) if retained, the proposal of adding a third option in NZ SAE 1.
27. Feedback from all practitioners (from accountant and non-accountant firms) involved in the mandatory regime, expressed support to transition to the new international standards. This suggests that the new international standards are profession agnostic and do not create barriers to entry. Some questioned the ongoing need for the temporary standard and sought certainty about how long the temporary approach would last.
28. Other non-practitioner stakeholder feedback also flagged concern at too many options, and recommended the XRB mandate one standard for use.
29. Most submissions requested clarity on the future direction and the move to a permanent standard in the future.
30. Given the consultation document emphasised that the XRB had decided not to withdraw the temporary standard, specific to the proposal of adding a third option, many stakeholders highlighted concern that there might be too much flexibility, which may create confusion.
31. Those submissions that did not support adding an option raised concerns that the addition of a third standard could lead to too much flexibility in the market and confusion for users of these reports. They commented that the inclusion of the two international standards in NZ SAE 1 causes inconsistencies in practice that are not always understood by the users of the reports and adding one more would exacerbate concerns. These submitters wanted NZ SAE 1 to be replaced by ISSA (NZ) 5000 and the IESSA (NZ).
32. Only one submission requested that the option to use ISAE (NZ) 3410 be retained.
33. Based on the weight of the feedback pertaining to the future of the temporary standard, we have explored alternative options.

Options to discuss

34. It is important to understand that the ISSA (NZ) 5000 and the IESSA (NZ) apply to assurance engagements that begin on or after 15 December 2026, i.e., reporting periods that end 31 December 2027. There is a two year transition period in this timeline.



35. While the consultation document stated that the XRB had decided not to withdraw or replace NZ SAE 1, stakeholders feedback queried the ongoing need for the temporary standard.

36. There are two options to discuss based on the feedback received:

(a) **Revoke NZ SAE 1 for periods ending on or after 31 December 2027:** The benefits and costs/risks of doing so are explored in the analysis paper. Any decision about the future of the temporary standard is a strategic decision and will require input from the NZAuASB and discussion and agreement with the XRB board. **What are the Board's views on the ongoing need to retain the temporary standard?**

(b) **Retain and maintain NZ SAE 1 in a different way than proposed:**

Based on concerns around too many options, an alternative option is to replace the option to use ISAE (NZ) 3410 with an option to use ISSA (NZ) 5000, rather than adding ISSA (NZ) 3410 as a third option. This option is marked up in the attached standard *Amendments resulting from the issue of ISSA (NZ) 5000*. **What are the Board's views on this change?**

Stakeholders are seeking certainty about the transition timeline, so the key question is how long is needed? This is hard to answer, but evidence at this stage suggests that the two-year timeline, consistent with the international standards effective dates may be sufficient. Allowing one additional year may be a more cautious approach.

Decision pathway

37. Any decision about the future of the temporary standard is a strategic decision and will require input from the NZAuASB and discussion and agreement with the XRB board.

38. Based on the feedback received staff considers it is appropriate to reconsider the need to retain the temporary standard.

Retaining ISAE (NZ) 3410

39. The majority of feedback recommended that ISAE (NZ) 3410 be withdrawn and be replaced by ISSA (NZ) 5000. Reasons for this included that this would maintain international alignment, given that ISAE (NZ) 3410 will be withdrawn internationally and will not be supported by the IAASB once ISSA 5000 is effective.

40. The decision as to if and when to withdraw ISAE (NZ) 3410 is linked to the discussions around the temporary standard.

Recommendations

41. Staff recommend that the Board approve for issue the following standards that include the staff recommended changes:
 - (a) International Standard on Sustainability Assurance (New Zealand) 5000, *General Requirements for Sustainability Assurance Engagements* for periods beginning on or after 15 December 2026.
 - (b) A new version of Professional and Ethical Standard 1 that includes the IESSA (NZ) and Revisions to the Code Addressing Using the Work of an External Expert for periods beginning on or after 15 December 2026.
 - (c) Amendments resulting from the issue of ISSA (NZ) 5000.
42. Staff recommend that the Board agree to revoke:
 - (a) PES 1, International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)
43. Dependent on the discussions relating to NZ SAE 1, we have included possible amendments to NZ SAE 1 in the amending standard above but will adjust based on the discussion (these are greyed in the attached standard on amendments resulting from ISSA (NZ) 5000.
44. Staff will develop a Basis for Conclusions document (for approval by circular resolution) based on the discussions of the Board.

Material presented

- Board meeting summary paper
- Issues paper
- Signing Memo
- ISSA (NZ) 5000
- PES 1 2025
- Amendments resulting from the issue of ISSA (NZ) 5000
- Written submissions received
- GHG Snapshot

Analysis of responses to the international alignment, sustainability ethics and independence and using the work of an external expert consultation

Introduction

1. This document analyses the feedback from the outreach conducted on the sustainability assurance, ethics and independence and using the work of an external expert [consultation](#).
2. [Ten written submissions](#) were received from 2 professional bodies¹, 1 Think Tank², 1 standard setter³, 5 assurance practitioners⁴ and the Office of the Auditor General (OAG).
3. A workshop and one to one meetings gathered input from financial and non-financial sustainability assurance practitioners and from regulators. 16 participants from 9 firms attended a workshop in Auckland on 7 October 2025. Key takeaways from the workshop are summarised in the appendix to this analysis.

Support to issue ISSA (NZ) 5000 and the IESSA (NZ)

4. All 10 [written submissions](#)⁵ supported the proposals that the following standards be made available for use in New Zealand by the XRB:
 - ED International Standard on Sustainability Assurance (New Zealand) 5000, *General Requirements for Sustainability Assurance Engagements* (ISSA (NZ) 5000)
 - ED International Ethics Standards for Sustainability Assurance (including International Independence Standards) (New Zealand) (IESSA (NZ))
 - ED Revisions to the Code for Using the Work of an External Expert (External Expert revisions)

This feedback echoed that heard from the practitioner workshop and all one to one meetings with a range of stakeholders where all supported the adoption of the standards.

5. One respondent⁶ stated that transitioning to IESSA (NZ) would require creating new or reconfiguring existing policies and procedures to meet PES-based definitions and requirements. Time is needed to implement the changes and provide updated training. They intend to do this work during 2026–2027. This would be in line with IESSA (NZ) timelines. It was also acknowledged that IESSA (NZ) has additional transitional provisions until 1 July 2028 (for value chain component independence provisions).
6. One standard setter⁷ disagreed with the adoption of the ISSA (NZ) 5000 and the IESSA (NZ) exclusively and requested that other standards and codes such as their published standard AA 1000 Assurance Standard be considered. This submission requested that the market be kept open with the recognition of multiple standards. Most other submitters highlighted concerns about too many options.
7. The XRB considered all standards that were used for GHG assurance in New Zealand when NZ SAE 1 was developed. AA1000 Assurance standard was not and is still not widely used in New Zealand. As at 10 November 2025, there are no licensed assurance practitioners

¹ CA ANZ and CPA Australia

² The McGuinness Institute

³ [AccountAbility](#), a global consulting and standards firm for sustainability

⁴ Deloitte, EY, KPMG, PwC and Toitū Envirocare

⁵ Feedback from KPMG, Deloitte, EY, PwC, The McGuinness Institute, Toitū Envirocare, AccountAbility, CA ANZ, CPA Australia and the OAG.

⁶ Toitū Envirocare

⁷ AccountAbility

based in New Zealand listed on the AccountAbility website. For this reason, staff do not consider it necessary to add AA1000 as an option.

8. The assurance standard, ISSA (NZ) 5000 requires the IESSA (NZ) or requirements that are at least as demanding to be applied. One submission⁸ raised that the XRB should consider other ethical Codes other than the IESSA (NZ).
9. Staff have assessed the IESSA (NZ) to be at least as demanding as the IESBA Code. Paragraph 34(b) of ISSA (NZ) 5000 allows an appropriate body to determine whether requirements are at least as demanding as the IESSA (NZ). This appropriate body could be a designated accreditation body (para A62). Though the XRB is not proposing to assess another ethical code, an appropriate body in New Zealand could do this work for another ethical Code.
10. The IESSA (NZ) has been developed as Part 5 to the IESBA Code (extant PES 1 includes parts 1-4) and the Revisions to the Code Addressing the Work of an External Expert amends parts 2, 3 and 5. As agreed with the NZAuASB in their February 2025 meeting, these new parts should be included in PES 1.

11. **Given the strong support for the proposal, staff recommend that ISSA (NZ) 5000, IESSA (NZ) and Revisions to the Code Addressing Using the Work of an External Expert be made available for use in New Zealand.**
12. **Staff recommend that the IESSA (NZ) and the Revisions to Code Addressing Using the Work of an External Expert be incorporated into PES 1.**
13. **Staff recommend to revoke PES 1 and reissue a new version that includes these amendments.**

Applicable Date

14. All assurance practitioners who submitted and were at the workshop, including from both accounting firms and non-accounting firms, indicated their intent to transition to these standards.
15. All respondents supported and agreed with the proposed applicable date for all standards aligning with the international date of accounting periods beginning on or after 15 December 2026, with early adoption permitted.

16. **Staff recommend that the applicable date for all standards be aligned to the international standard for periods beginning on or after 15 December 2026, with early adoption permitted.**

New Zealand Amendments to the standards

ISSA (NZ) 5000 and IESSA (NZ)

Proposals to clarify that NZ SAE 1 applies to mandatory GHG assurance engagement in both ED ISSA (NZ) 5000 and the ED IESSA (NZ)

17. Four respondents⁹ did not agree that the proposed paragraph that references NZ SAE 1 and the requirement to refer to NZ SAE 1 for mandatory assurance engagements over the greenhouse gas (GHG) disclosures in the climate statements should be included in ISSA (NZ) 5000.

⁸ AccountAbility

⁹ Deloitte, KPMG, PwC, EY (for IESSA (NZ))

18. These submissions did not agree with the retention of NZ SAE 1 and wanted NZ SAE 1 to be withdrawn once ISSA (NZ) 5000 becomes applicable, as it was developed to be used by a broad range of practitioners.
19. One respondent¹⁰ expressed that the proposed signposting paragraph in the IESSA (NZ) could be misinterpreted and requested clarification. They indicated that the current wording could be interpreted differently by different assurance practitioners and may imply that only the independence requirements in NZ SAE 1 apply and that the IESSA (NZ) could not be applied.
20. The intent of the signposting paragraph was to acknowledge that NZ SAE 1 is required to be used for mandatory assurance. Extant NZ SAE 1 includes ethical and independence principles but requires transparency as to whether additional ethical standards have been applied. The signposting paragraph follows this same logic for the use of IESSA (NZ).
21. Based on this feedback staff reconsidered the need to signpost (ED ISSA (NZ) 5000 para. NZ 8A and ED IESSA (NZ) para. NZ 5100.0) to a temporary standard to future proof the standards. Staff note that we have not included similar paragraphs in the extant PES 1¹¹ and ISAE (NZ) 3410. ISSA (NZ) 5000 and the IESSA (NZ) are proposed to be used in the same way. As we have heard that these signposting paragraphs may be misleading, staff recommend that these signposts are not included in the final versions of ISSA (NZ) 5000 and IESSA (NZ). We consider this is more future proof and that any signposting could be done via alternative communications.

22. Staff recommend that the signposting paragraphs proposed in ED ISSA (NZ) 5000 and IESSA (NZ) are not included in the final standards.

ISSA (NZ) 5000 amendments

Addressing the existence of relationships that the assurance practitioner may have

23. All respondents agreed to the inclusion of a proposed requirement (ISSA (NZ) 5000 190d NZ (v)(a)) to address the existence of relationships that the assurance practitioner may have.
24. One respondent¹² requested clarity as to what relationships to include when a firm carries out different engagements and has different roles e.g. that of auditor, assurance practitioner or non-assurance services or a member of the firm has a close familial connection to a client.
25. Staff consider that similar paragraphs are included within other assurance and auditing standards (ISA (NZ) 700¹³, ISAE (NZ) 3000¹⁴, NZ SAE 1¹⁵). The intent is for the statement be transparent about any relationships or interests in the client.
26. The paragraph in NZ SAE 1 was similarly included to promote transparency. For example, such relationships or interests may include any assurance or non-assurance services provided to the entity, services provided in previous periods which are included in the scope of the transitional provision, or personal relationships which assurance practitioners involved in the engagement have with management or those charged with governance of the entity. It is not intended to conflict with the similar requirement in extant ISAE (NZ) 3000 but rather to promote consistency of disclosure within the assurance report. Staff propose to clarify this in the basis for conclusions but do not propose any changes to NZ SAE 1 as a result of this comment.

¹⁰ EY

¹¹ PES 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*

¹² PwC

¹³ Para NZ 28© ISA (NZ) 700 (Revised) – Forming an Opinion and Reporting on Financial Statements

¹⁴ Para NZ69.1, ISAE 3000 (NZ) (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

¹⁵ para 57

27. A stakeholder also highlighted that we did not include the NZ wording in the illustrative reports in ED ISSA (NZ) 5000 to include examples to illustrate NZ requirements. These reports have been updated in NZ Appendix 3 of ISSA (NZ) 5000 to include appropriate example wording.

28. The proposed wording in the assurance reports mirrors the wording included in the NZ Appendix 2 to ISAE (NZ) 3000¹⁶. This proposed wording is as follows:

“Other than in our capacity as practitioner we have no relationship with, or interests in, the Company.

[or Our firm carried out other assignments for the Company in the area of [...]. In addition to this, principals and employees of our firm deal with the Company on normal terms within the ordinary course of the activities of the Company. The firm has no other relationship with, or interests in, the Company.]”

29. Staff recommend adding additional wording into all illustrative assurance reports in ISSA (NZ) 5000 and finalising the requirement as proposed.

Key Matters and engagement quality review

30. NZ SAE 1 has requirements relating to Key Matters.
31. One respondent¹⁷ indicated that Key Matters could be included in ISSA (NZ) 5000, if that was to be considered a prohibitive factor in retiring NZ SAE 1.
32. The inclusion of Key Matters was considered by the IAASB during the drafting of ISSA 5000. The IAASB acknowledged the public interest benefits of communicating Key Matters but felt that it was more appropriate to consider their communication after ISSA 5000 has been applied for a period of time.¹⁸ It was acknowledged that individual jurisdictions could add this requirement. The PIOB was supportive of exploring adding key matters in the public interest.
33. The NZAuASB discussed whether Key Matters should be added into ISSA (NZ) 5000 in their April 2025 meeting. The NZAuASB decided that they would not require Key Matters as they are required for the mandatory regime in NZ SAE 1 and ISSA 5000 does not prohibit the reporting of Key Matters.
34. The XRB considers that reporting of Key Matters in NZ SAE 1 is consistent with our objective of promoting transparency and useful information to users. We are actively monitoring how Key Matters and other communication tools are used in our mandatory regime. We note that this issue is not the reason for the retention of NZ SAE 1 at this time. However, it will need further consideration if and when we retire the temporary standard.
35. In NZ SAE 1, the XRB has required an EQR for the mandatory GHG assurance engagements. The same respondent¹⁹ raised concern that additional requirements that are inconsistent with international standards creates unnecessary burden on NZ assurance practitioners and adds costs for reporting entities in New Zealand. As an example, NZ SAE 1 requires an engagement quality reviewer (EQR) for each engagement, which is inconsistent with IESSA and ISSA 5000 requirements which allows practitioners to adopt a risk based approach to evaluating whether an EQR is appointed.
36. At our workshop, other practitioners mentioned that given the risks, the firms' risk based approach would likely subject these engagements to an EQR.

¹⁶ International Standard On Assurance Engagements (New Zealand) 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

¹⁷ PwC

¹⁸ [IAASB - ISSA 5000 - Sustainability Assurance Basis for Conclusions paras 123 - 125](#)

¹⁹ PwC

37. Given the nature of the entities that remain in the regime, and to avoid any doubt and to maintain consistency, we recommend that the requirement for an EQR for the mandatory GHG assurance engagements is added in PES 3²⁰ as NZ34(f). This is reflected in the attached amending standard.

38. Staff do not recommend to require Key Matters in ISSA (NZ) 5000 at this stage.

39. Staff do recommend that the additional requirement for an EQR is added in to PES 3.

Responsibility to communicate to those charged with governance

40. One submission²¹ raised that ISSA (NZ) 5000 ED, paragraphs 156 – 158 (communicating and correcting misstatements) refers to management and does not include a responsibility to communicate to those charged with governance. This respondent considered that it is crucial to communicate such misstatements (other than those that are clearly trivial) to the individuals with oversight and responsibility for the preparation of the sustainability information.
41. Staff considered this and whether this point was specific to communicating and correcting misstatements or whether this was also applicable to other areas of ISSA (NZ) 5000 (e.g. under the ISAs (NZ)²² written representations are required from those charged with governance in New Zealand). Staff consider that the issue was holistic and related to the use of the term management or those charged with governance throughout ISSA (NZ) 5000, dependant on the circumstances.
42. Staff do not propose changing the requirement specific to communication and correction of misstatements but instead propose that a paragraph be added to ISSA (NZ) 5000, in NZ 7.1 to mirror the paragraph included in the ISAs (NZ) to indicate that management can refer to Those Charged with Governance in New Zealand. Proposed wording is included below:
- “In New Zealand, those charged with governance generally have responsibility for ensuring an entity meets its legal obligations in relation to the preparation of the sustainability information that is subject to mandatory assurance. In these cases the process of reporting is usually delegated to management, but the responsibility for such matters remains with those charged with governance. In applying this standard the practitioner shall apply professional judgement, using knowledge of the legal requirements and corporate governance practices of New Zealand as well as the particular engagement circumstances, to determine whether the requirements of this standard apply to management or those charged with governance or both.”

43. Staff recommend to include a paragraph in ISSA (NZ) 5000 that mirrors that in the ISAs (NZ) to indicate that management should refer to Those Charged with Governance where appropriate.

IESSA (NZ) proposed amendments

Proposal to replicate amendments in PES 1²³

44. All respondents that responded to this question, and verbal feedback confirmed support for the proposed NZ amendments that replicate amendments made in the extant PES 1 that are considered equally relevant for sustainability. We therefore recommend that these changes are finalized as exposed. These include the following that are summarised in the conformity statement in the explanatory notes to the standard:

²⁰ PES 3, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

²¹ PwC

²² NZ9.1, *ISA (NZ) 580 Written Representations*

²³ Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*

- application material to advise practitioners to seek legal advice when disclosing confidential information (NZ 5114.3 A1.1)
- amendments relating to the disclosure of safeguards (NZ R5310.9.1, NZ R5310.9.2 and NZ R5310.12.1) and service as a director or officer (NZ R5523.3.1)
- amendments relating to a prohibition for an assurance practitioner to accept or pay referral fees (NZR5330.5)
- a requirement, when an assurance practitioner identifies multiple threats to independence, which individually may not be significant, to evaluate the significance of those threats in aggregate and apply safeguards to eliminate or reduce them to an acceptable level (NZ R5400.19.1)
- additional application material regarding the provision of tax advisory planning and advisory services (NZ 5604.12.A2.1).

Fees

45. One respondent²⁴ queried the requirement for the sustainability assurance practitioner of a public interest entity to disclose assurance fees, when the entity has not done so. This requirement in the IESSA (NZ) R5410.31 replicates the requirement in PES 1 [R410.31](#). This respondent expressed that it is not appropriate to require an assurance practitioner to disclose this information, as this disclosure should be made by the entity.
46. In New Zealand, [FRS-44](#)²⁵ requires a financial statement auditor to disclose the fees for the audit or review of the entity's financial statements and each other type of service provided by the entity's audit or review firm. This means that any sustainability assurance fees are disclosed by the entity, when the financial statement auditors do the work. If another assurance practitioner does the assurance work, then these fees are not required to be disclosed. The fees for the mandatory assurance of the GHG disclosures in the climate statements are not required to be disclosed by the Aotearoa Climate Standards.
47. Staff across the assurance, accounting and sustainability teams have discussed this. This matter was discussed at the NZASB March 2024 meeting. The NZASB was asked to provide preliminary feedback on the IESBA's fee disclosure requirements and consider whether there needs to be an adjustment to the New Zealand disclosure requirements in the financial reporting standards or in other standards. The NZASB did not consider that there was a need to adjust the New Zealand disclosure requirements at that time. Staff continue to work to identify as integrated XRB solution.

How to support the transition

48. One respondent²⁶ raised concerns in relation to adoption for non-accountant practitioners. These included:
- (a) A need to produce implementation guidance for non-accountants if there is not sufficient guidance available from the IESBA.
The IESBA has produced [guidance](#) on the IESSA and has indicated that they will continue to provide more guidance. The IESBA has also created [a way to](#) log any questions that users may have with the IESSA.
 - (b) A risk that disparity in monitoring and enforcement processes between practitioners may give rise to an actual or perceived two-tier system for voluntary sustainability assurance engagements that could undermine public confidence and trust.

²⁴ CA ANZ

²⁵ FRS-44, *New Zealand Additional Disclosures*

²⁶ CA ANZ

The role of oversight and monitoring falls outside of the XRB assurance mandate but this feedback will be shared with MBIE.

49. Two submissions requested guidance around value chain independence. XRB staff propose to consider this request in line with any published international guidance.

50. Staff recommend replicating the amendments as exposed.

51. XRB staff will continue discussions internally related to fee disclosures.

52. Staff will determine the need for guidance as a next step.

Revisions to the Code Addressing Using the Work of an External Expert

53. One respondent²⁷ shared concerns that the high threshold for assessing an external expert's objective presents a challenge in a small market such as in New Zealand (PES 1 para. R290.8) This respondent had highlighted these concerns previously to the IESBA. The IESBA considered this and did not make any changes for this in their final standard. The XRB did not raise this point in our submission to the IESBA on the ED IESSA.
54. XRB staff do not propose making any changes to the IESSA (NZ) for this point

Standards for the mandatory assurance over greenhouse gas emissions disclosures

55. There was mixed feedback on:
- the ongoing need for the temporary standard; and
 - if retained, the proposal of adding a third option in NZ SAE 1.

At what stage is the temporary approach no longer needed

56. A quote from a submission²⁸ is useful context for the importance of high quality assurance. "We acknowledge that directors, reporters and auditors may feel nervous about reporting data that they have low confidence in. This is an area that is developing fast. However, this makes it increasingly important that New Zealand develops a trustworthy reporting framework with quality assurance standards. Investors, the community and other stakeholders need useful information to navigate the challenges we face, especially as we try to mitigate and adapt to climate change."
57. A majority²⁹ of written submissions recommended that NZ SAE 1 be withdrawn once ISSA (NZ) 5000 is applicable and that ISSA (NZ) 5000 becomes the preferred or mandated standard for the assurance of the GHG disclosures. Practitioners at our in-person workshop on 7 October questioned the ongoing need for a temporary standard. Given the weight of support from all practitioners for moving to the new international standards, they asked why the temporary standard is still needed.
58. Concerns highlighted:
- (a) NZ SAE 1 is more limited in scope and less comprehensive than ISSA (NZ) 5000 but also adds incremental requirements. For example, requirements for an independent quality reviewer and that key matters are reported in the assurance report.
 - (b) The lack of requirements in NZ SAE 1 when compared to ISSA (NZ) 5000, including requirements to address estimates, forward-looking information, groups and value chain entities.

²⁷ CA ANZ

²⁸ The McGuinness Institute

²⁹ PwC, Deloitte, EY, CPA Australia. KPMG

- (c) That the requirements in NZ SAE 1 can add more cost to an engagement as it is a domestic standard and not part of the firm's global methodology. In the workshop, practitioners confirmed that this means that they need to develop jurisdiction specific training for assurance staff to understand this standard and cannot leverage from global materials. This adds costs and complexity, navigating between multiple standards.

59. Based on the weight of the questions pertaining to the future of the temporary standard, we have explored alternative options below.

Feedback on adding a third option

- 60. Noting that the consultation document stated that the XRB decision was to retain NZ SAE 1 at this stage, even though many disagreed with this decision, stakeholders feedback supported including ISSA (NZ) 5000 as an option within NZ SAE 1 to enable alignment with international standards for mandatory GHG assurance engagements.
- 61. However, a number of respondents³⁰ raised concern at adding a third option, and that including a third option could result in too much flexibility that may lead to more confusion in the marketplace and introduce more inconsistencies into the regime.
- 62. One submission³¹ expanded on this point with a table illustrating the potential variability in assurance reports if a third option were to be added into NZ SAE 1. This illustrated 7 potential options of standards that could be referenced and the potential confusion this creates for users.
- 63. A submission from a non-practitioner³² also flagged concern at too many options. "Though this enables flexibility, allowing for multiple frameworks does cause inconsistency across assurance quality and may lead to confusion for both preparers and users of information." "If we want to make New Zealand business climate ready, having a consistent approach to assurance is good not just for preparers, but also for users and assurers. "Our recommendation is that there should only be one standard that is being mandated by the XRB." This submission was in favour of that standard being ISSA (NZ) 5000.
- 64. Two submissions³³ were supportive of retaining the option to use ISAE (NZ) 3410 in NZ SAE 1. The rationale was that ISAE (NZ) 3410 is a topic specific standard for GHG emissions assurance, and it provides practical and useful guidance. It was also noted that assurance practitioners in New Zealand have invested in methodologies, tools and templates that align with ISAE (NZ) 3410. The view was that there is benefit in continuing to use ISAE (NZ) 3410 until ISSA (NZ) 5000 methodology is more broadly developed.
- 65. Given the points raised about the potential confusion caused by too much flexibility, staff considered the process followed in developing NZ SAE 1 and the XRB's rationale for the temporary standard of permitting the use of one of two international standards.

Background to the temporary approach

- 66. NZ SAE 1 was deliberately developed as a temporary domestic standard to allow independent competent assurance practitioners to perform assurance engagements over GHG disclosures. When NZ SAE 1 was issued, the GHG assurance regime was at its infancy but was expected to evolve rapidly. A priority was to keep the regime for assurance engagements open to all competent, independent practitioners, without adding unnecessary barriers to entry³⁴.

³⁰ The McGuinness Institute, CPA Australia, regulators, PwC, KPMG

³¹ PwC

³² The McGuinness Institute

³³ OAG, CAANZ

³⁴ [Basis for Conclusions NZ SAE 1](#), BC 19

67. In 2022, the market for voluntary assurance was split between assurance performed under the ISO 14064:3 – 2019 standard and ISAE (NZ) 3410. This was recognised in NZ SAE 1 by requiring the use of one of these international standards.
68. NZ SAE 1 was developed for the mandatory assurance of GHG disclosures at a time when there was discussion about extending the scope of assurance more broadly to the climate statements and establishing a monitoring regime. It was also developed at the time that the international standards we are now exploring were still in development.
69. NZ SAE 1 largely includes ethical and quality management principles, in recognition of various practitioners' standards and codes in use in New Zealand at the time. The XRB had submitted to the international boards in respect of the at least as demanding requirements relating to the ethical and quality requirements.

How the context has changed

70. When drafting the consultation document, the NZAuASB with strategic input from the XRB Board, considered it was appropriate to retain the temporary standard, to avoid adding costs or increasing barriers to entry. Since issuing the consultation document, we have gathered more information, and have more certainty about the regime given recent Government announcements.
71. The XRB has recently extended the adoption provisions in NZ CS 2 for the reporting and disclosure of scope 3 GHG emissions. The timing of this extension aligns with the applicable date of the new international standards. These new standards include provisions specific to the value chain, and the timing aligns well with the optional delay in assurance of scope 3 GHG emissions. If the adoption provisions were to be applied by a Climate Reporting Entity, the first period of assurance would be periods ending on or after 31 December 2027.
72. We are at the end of the first year of mandatory assurance over the GHG disclosures. We have monitored the assurance reports issued in that period. We note that (close to) 90% of the assurance reports refer to use of ISAE (NZ) 3410 and 85% of assurance reports refer to the use of PES 1. We acknowledge that this ratio is before the government's announcement to reduce the number of entities in the regime.
73. To date only a few jurisdictions have adopted the new international standards, although many are working through the process to adopt, and global adoption is increasing, for either mandatory or voluntary assurance.³⁵
74. Australia has early adopted the equivalent of ISSA 5000 and the IESSA. This is relevant for our TransTasman entities.
75. The International Organization for Standardization (ISO) has been developing new standards for sustainability assurance. The 3 new proposed standards are currently at the Final Draft International Standard (FDIS) stage of publication and are expected to be published in the first quarter of 2026. These standards will cover limited and reasonable assurance and verification (assurance of historical information) and validation (assurance of future information and claims). They are intended to be used to validate and verify sustainability information for use in regulatory and voluntary programmes. These proposed standards are:
 - ISO /FDIS 14019-1: Sustainability information — Part 1: General principles and requirements for validation and verification. This sets out general principles and requirements for the validation (assurance of future claims and information) and verification (assurance of historical information) of sustainability information.

³⁵ To date Australia, Mexico, Pakistan, Hong Kong, Malaysia and the United Kingdom have adopted an equivalent of ISSA 5000. Many other jurisdictions are in the process of adoption including Canada, China, India, South Africa and many European jurisdictions.

- ISO/FDIS 14019-2: Sustainability information — Part 2: Principles and requirements for verification processes. This details the principles and requirements specifically for verification processes related to sustainability information.
- ISO/DIS 14019-4: Sustainability information — Part 4: Principles and requirements for bodies validating and verifying sustainability information. This draft international standard will provide specific requirements for bodies that perform validation and verification of reported sustainability information.

76. There were strong international efforts underway to collaborate between the IAASB/IESBA and the international accreditation forum (IAF), however these efforts have slowed given the global slow down in mandating sustainability reporting and/or assurance.

Where to next

77. Given the strong support that we received during consultation from all practitioners to adopt ISSA (NZ) 5000 and the IESSA (NZ), and the feedback about whether the temporary standard is needed, staff have explored two alternative options that differ to what was proposed.
78. Feedback from all practitioners (from accountant and non-accountant firms) involved in the mandatory GHG assurance regime, suggested strong support to transition to the new international standards. This suggests that the new international standards do not create barriers to entry. Those that questioned the ongoing need for the temporary standard sought certainty about how long the temporary approach would last, and highlighted the ongoing cost and uncertainty created by having multiple standards to consider. Based on what we have heard it is unclear who would continue to use either the ISAE (NZ) 3410 or ISO alternatives required by the temporary standard.
79. This suggests a strategic discussion on the future of the temporary standard is needed.
80. It is important to highlight that the decision to be made around the temporary standard relates to assurance engagements that begin on or after 15 December 2026, i.e., what assurance standards shall apply to reporting periods that end 31 December 2027. There is a two-year transition period in that timeline.
81. XRB recently extended the mandatory assurance over the scope 3 GHG emissions by two years. The timeline for the extension matches the new international standards effective dates.

Option 1 – Sunset and revoke NZ SAE 1

82. Given the feedback questioning the ongoing need for a temporary standard and strong support to move to the new international standards as the permanent solution, option 1 is to:
- revoke NZ SAE 1 so it can no longer be used for assurance engagements relating to accounting periods beginning on or after 15 December 2026. If the NZAuASB agrees to issue ISSA (NZ) 5000 and the IESSA (NZ), this would mean that mandatory GHG assurance engagements for periods ending December 2027 would be required to be undertaken in accordance with the three standards: ISSA (NZ) 5000, the IESSA (NZ) and PES 3 relating to quality management. This effectively allows a two-year transition to a permanent standard.
 - prioritise supporting the adoption and implementation of ISSA (NZ) 5000 and IESSA (NZ) for all practitioners and mapping similarities and differences from the ISAE (NZ) 3410 and the ISO, as well as the ethical and quality management considerations, to assist the transition. We would cease to maintain the temporary standard, with less focus on guidance for the application of NZ SAE 1, unless it was essential in the short term.

83. In considering option 1, staff held further one to one calls with smaller practices who are carrying out GHG engagements currently and who assured entities that will remain in the regime after the government's announcement. All practitioners we spoke to confirmed the intent to transition to the new standards by the applicable dates. Additional meetings are scheduled and staff can provide a verbal update at the NZAuASB meeting.

Benefits of Option 1

84. This option is internationally aligned to the newly established global baseline for sustainability assurance engagements. Engagements would therefore have international recognition and users may have enhanced confidence, as there would be less variation in the assurance reports, there would be more certainty that a consistent approach has been applied. Given the entities that remain in the mandatory regime, we have heard that international alignment is critical and is in line with the current XRB strategy to align to the IAASB and IESBA assurance standards.
85. XRB standards would set consistent baseline requirements for engagement performance, ethics and independence and quality management. This would address the feedback that we heard about too much flexibility maybe causing misunderstandings for the current regime, creating confusion for users, and the need for a level playing field.
86. It would also address any concerns around complexity added by having to apply multiple standards with various requirements.
87. This provides clarity for practitioners on the future direction and a clear deadline for when a transition is needed.
88. This aligns with the mandatory standards applicable in Australia and provides consistency for TransTasman entities.
89. The additional material in the new standards that addresses value chain considerations is relevant to the regime and will promote high quality assurance. This additional information will be useful as the assurance adoption provisions in NZ CS 2 (and the paragraph in NZ SAE 1, para 7A) are no longer able to be used from 31 December 2027, meaning scope 3 GHG emissions, where value chain considerations are applicable, would have supporting assurance requirements in place.
90. This option enables the XRB to prioritise resources to support the adoption of these international standards, responsive to stakeholder requests for support to transition, rather than continue to put resource into maintaining and supporting adoption of a temporary standard that has a finite life.

Costs/risks of Option 1

91. We have heard that there will be costs associated with resources and establishing methodologies for smaller practitioners in transitioning to the standards and establishing a new methodology, when this is not supported by their global firms. These practitioners have confirmed their intent to transition to these standards in line with the applicable dates but it may take more time than anticipated.
92. These costs are related to the transition to three separate areas which cover:
- engagement performance
 - quality management
 - ethics and independence.
93. We have not yet seen the ISO standard for all sustainability assurance engagements, as this is still in development. When the ISO standard is issued we may consider whether we refer to this option for voluntary assurance over broader sustainability information on the XRB

website, noting that ISO has copyright restrictions that would prevent the XRB from issuing the ISO as an XRB standard.

94. Very specific to the mandatory regime for GHG assurance for which primary legislation requires compliance with XRB assurance standards, the decision to revoke NZ SAE 1 and adopt ISSA (NZ) 5000 and the IESSA (NZ) is effectively requiring, for this mandatory regime, compliance with ISSA (NZ) 5000, PES 1 and PES 3. The risk here is that the global collaborative efforts to map the global ethics, independence and quality management requirements between the IAASB/IESBA and the International Accreditation Forum (IAF) have stalled. The challenges for non-accountants to apply the ethics, independence and quality management requirements might be even more significant than the implementation of ISSA (NZ) 5000.
95. There may be additional NZ considerations for inclusion in ISSA (NZ) 5000, e.g. is there a need to add key matters into ISSA (NZ) 5000 for the mandatory GHG assurance regime.

Option 2 – Retain and maintain NZ SAE 1 in a different way than proposed

3. We exposed and proposed to retain NZ SAE 1 and amend NZ SAE 1 to add a third option to use ISSA (NZ) 5000. Based on concerns around too many options, an alternative option is to
 - amend NZ SAE 1 to replace the option to use ISAE (NZ) 3410 with the option to use ISSA (NZ) 5000, for periods beginning on or after 15 December 2026. This option is marked up in the attached amending standard (but is greyed, pending the discussion), and
 - develop a roadmap for transition to one standard in the future (refer Appendix B).

Benefits of Option 2

96. This option follows the more cautious “wait and see” approach and allows the market to continue to evolve. It gives even more time for practitioners to transition and allows flexibility to continue in the market during this time.
97. If we confirm a roadmap we could still give clarity on the future direction and timings for transitioning.

Costs/Risks of Option 2

98. We have heard that there is an additional cost for practitioners to maintain compliance with both NZ SAE 1 and another standard that is not supported by their global methodologies.
99. We have heard that there is confusion created by options and certainty and consistency may better support trust and confidence with requests to move to ISSA (NZ) 5000.
100. We have heard the intent by all those involved in the assurance of the mandatory GHG disclosures to transition to the new international standards. We recognise it may take time to transition, and that it may be easier for the larger firms with strong international connections to do so. In our discussions with practitioners, we have clarified that the two year timeline appears to be sufficient time.
101. It is unclear who will be using the alternative options in NZ SAE 1, and therefore the XRB may have the cost of maintaining and supporting options that are not actually used.

Decision pathway

102. Any decision about the future of the temporary standard is a strategic decision and will require input from the NZAuASB and discussion and agreement with the XRB board.

103. Based on the feedback received staff considers it is appropriate to reconsider the need to retain the temporary standard.

Amendments to NZ SAE 1

104. The consultation process also explored some amendments to NZ SAE 1. The proposal to add a third option to use ISSA (NZ) 5000 is explored above.
105. If the decision is to retain and maintain NZ SAE 1, below we analyse the feedback on additional proposed amendments.

One-to-many reports

106. All respondents who answered this question supported the proposed conditional requirement for one-to-many reports (NZ SAE 1 para 26A³⁶). Requests were made for practical guidance and examples and it was suggested to consider whether NZ SAE 1 may benefit from the addition of other paragraphs (52, 53 and 54) in ISSA (NZ) 5000 that referred to how the practitioner determines that the evidence obtained is sufficient for their purposes and what to do if the practitioner determines that the evidence is not adequate for their purposes³⁷.
107. Paragraphs 52, 53 and 54 in ISSA (NZ) 5000 include the following:
- (a) Determining whether any user entity controls are relevant to the user entity's testing.
 - (b) Communicating with another practitioner
 - (c) Determining whether it is necessary to review additional documentation.
108. Staff acknowledge these requests but consider that the principles contained in NZ SAE 1 in relation to use of the work of others are overarching principles that are not attempting to cover every situation where a practitioner may use the work of an expert or another practitioner.³⁸ Staff consider that the application material in NZ SAE 1 can be applied to other experts and engagement and could be applied to one-to-many reports. As such, staff are not proposing to add additional requirements into NZ SAE 1.

109. Staff propose that the conditional requirement for one-to-many reports be included in NZ SAE 1 as exposed with no further changes needed.

Retaining ISAE (NZ) 3410

110. Two³⁹ submissions agreed that a deferral of the decision to withdraw ISAE (NZ) 3410 was appropriate. Reasons included that ISAE (NZ) 3410 is topic specific to GHG assurance and it provides useful guidance. They identified that investment had been made by New Zealand firms to align to ISAE (NZ) 3410 and firms that do not have global support would benefit from continuing to use ISAE (NZ) 3410 until an ISSA (NZ) 5000 methodology is more broadly developed.
111. One respondent⁴⁰ noted that while the decision to delay full adoption of ISSA (NZ) 5000 "is disappointing", they acknowledged the rationale for the XRB's "cautious wait and see" approach in the current complex and evolving regulatory environment. This respondent recommended that if a delay beyond the applicable date of ISSA (NZ) 5000 (periods beginning on or after 15 December 2026) is to be considered by the XRB, then the XRB will need to assume responsibility for maintaining and updating the standard independently.

³⁶ In agreeing the nature of the work performed in accordance with paragraph 26(d) and evaluating the adequacy of the work in accordance with paragraph 26(e), if the assurance practitioner plans to use an assurance report of another assurance practitioner that has been designed for use by user entities and their assurance practitioner across a value chain (a one-to-many report), the assurance practitioner shall determine whether the assurance report provides sufficient appropriate evidence for their purposes by evaluating: whether the description of the procedures performed and the results thereof are appropriate for the assurance practitioner's purposes; and The adequacy of the standard(s) under which the assurance report was issued

³⁷ CA ANZ

³⁸ Basis for conclusions on NZ SAE 1: Assurance engagements over GHG emissions BC 124

³⁹ CA ANZ, the OAG

⁴⁰ CPA Australia

112. This submission recommended that the XRB:
- (a) Conduct further research to assess the usage of ISAE (NZ) 3410 beyond December 2026
 - (b) Evaluate the cost-benefit of retaining the standard, and
 - (c) Map out a transition pathway.
113. XRB staff reached out to the OAG to better understand their view. The discussion highlighted that the transition to ISSA (NZ) 5000 and IESSA (NZ) would be applicable for periods beginning on or after 15 December 2026, effective for periods ending from December 2027. Given that this would provide two years for transition, this would be a workable timeline. They requested information that compares ISAE (NZ) 3410 to ISSA (NZ) 5000.
114. Four⁴¹ written submissions did not support deferring the decision to withdraw ISAE (NZ) 3410 to a later date. These respondents stated that they felt that most practitioners will transition to ISSA (NZ) 5000 and that retaining ISAE (NZ) 3410 may lead to confusion and inconsistency in the marketplace for investors and other users of assurance reports. They recommended that ISSA (NZ) 5000 be used in place of ISAE (NZ) 3410. As the IAASB has withdrawn ISSA 5000 internationally from when ISSA 5000 is effective, this would maintain international alignment.
115. One submission⁴² recommended that the XRB mandate the use of ISSA (NZ) 5000 now.
116. Given that ISAE 3410 is withdrawn internationally for periods on or after 15 December 2026, maintaining ISAE (NZ) 3410 would need to be done by the XRB.
117. Staff have reviewed the IAASB analysis of ISAE (NZ) 3410 compared to ISSA (NZ) 5000. IAASB staff assessed that the requirements in ISAE 3410 were covered by ISSA 5000, but there is a step up from ISAE 3410 to get to ISSA 5000. XRB staff identified that there was some helpful application material in ISAE (NZ) 3410 that would be useful to retain as guidance for our GHG disclosures assurance regime if ISAE (NZ) 3410 were to be withdrawn.
118. Staff intend to issue guidance for scope 3 GHG emissions assurance, including materiality and restatements and will continue active monitoring of the market to enable us to be responsive.
119. Staff explored when else ISAE (NZ) 3410 is used in New Zealand and if its use is required by any other legislation at the April 2025 NZAuASB meeting. Staff have not identified any legislative need, separate to the climate reporting regime, to retain ISAE (NZ) 3410.
120. Staff note that ISAE (NZ) 3410 is currently used for mandatory and voluntary engagements. Voluntary engagements are done to be in line with the firms' methodologies and staff have no reason to believe that voluntary engagements would not be done in accordance with ISSA (NZ) 5000 once this is applicable, once firms have transitioned.
121. Given the balance of feedback heard on consultation, staff recommend that the NZAuASB reconsider the ongoing need to retain ISAE (NZ) 3410 and consider revoking ISAE (NZ) 3410 so that it can no longer be used for periods beginning on or after 15 December 2026.

122. Based on the feedback received staff considers it is appropriate to reconsider the need to retain ISAE (NZ) 3410, which is related to the discussion above on the need to retain the temporary standard.

⁴¹ Deloitte, EY, KPMG, PwC

⁴² The McGuinness Institute

Appendix 1: Feedback from Practitioners Workshop 7 October 2025

The workshop was attended by a range of practitioners, from the traditional accounting firms and those using the ISO standards.

Do you agree with the proposal to adopt ISSA (NZ) 5000 in New Zealand?

- Strong support and no one indicated that they were against this proposal. All indicated that they would move to ISSA (NZ) 5000, but they are not aligned on when this will occur and want flexibility in this movement.

Is your firm intending to transition to ISSA (NZ) 5000 for sustainability assurance engagements? If yes, when?

- One firm described that they had largely already moved their methodologies to align with ISSA 5000. Another indicated that they might try to adopt the standard before the mandatory date
- Others expect to adopt in line with global methodology timelines
- Practitioners felt that the pressure to early adopt arises from Trans-Tasman clients
- One firm's methodology is already based on ISSA 5000, and next year will be fully aligned. This firm confirmed that the application of ISSA 5000 is a step up from ISAE (NZ) 3000 but also described the benefits of the transition, as it aligns with the way the firm thinks about their audit methodology and described how it enables more integrated assurance across both financial and sustainability subject matters
- Practitioners indicated that adopting ISSA 5000 feels like a natural step as methodology is similar to extant because it is based on 3000
- Practitioners currently using the ISO standard also confirmed they plan to transition to ISSA 5000 by the applicable date as ISSA 5000 addresses assurance over other sustainability information that they cannot do currently using the extant ISO standards.

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

- (a) To clarify the scope
- (b) To address the existence of relationships that the assurance practitioner may have?

Are there any other matters that you recommend that the XRB add to ISSA (NZ) 5000?

- Practitioners wanted to understand when NZ SAE 1 will be removed. Uncertainty is adding cost.
- Practitioners want certainty on where to focus i.e., to build resources for ISSA (NZ) 5000, or enhance domestic training materials to incorporate NZ SAE 1
- Practitioners are starting to see other parts of the climate statements assured (like governance). They are keen to understand the interaction between NZ SAE 1 and ISSA 5000.
- Practitioners requested guidance would be helpful e.g. interaction between NZ SAE 1 requirements to describe relationships outside GHG engagement, while ISSA 5000 requires a description of the relationship in your capacity as a practitioner is unclear.
- There were also queries about the difference between the ISSA 5000 requirements and the differing requirements in NZ SAE 1 e.g. the need for a quality review on every engagement and that number of quality reviewers that would be needed places a strain on resources.

Do you agree with the proposal to adopt the IESSA (NZ) in New Zealand?

- Strong support and no one indicated that they did not support this proposal

Is your firm intending to transition to the IESSA (NZ) for sustainability assurance engagements? If yes, when?

- Participants answered yes to this question – but timelines were to be confirmed.
- Global firms will push this down to all member firms and it will introduce complexity at international level if it would not be adopted
- There will be challenges for value chain – how to monitor the independence for value chain entities given that current systems are not developed to manage all value chain entities
- Non-audit firms and those firms that do not apply the extant Code confirmed that this will be a big change and they will need time and support to transition
- Some smaller firms that do not have advisory/consultancy functions stated that ethics application might be easier
- There was a question when the IESSA is combined with NZ SAE 1. There was a perception that the IESSA is much more robust than the current ethical principles in NZ SAE 1, and that there would not be a level playing field between those that adopt the IESSA and any that might not.

Do you agree with the proposed New Zealand changes to IESSA (NZ):

(c) To clarify the scope

(d) To replicate amendments in PES 1?

Are there any other matters that you recommend the XRB add to IESSA (NZ)?

- Disagreement for including the scoping paragraph that refers to NZ SAE 1
- Confirmation of the NZ amendments to replicate the amendments to PES 1

Revisions to the Code Addressing Using the Work of an External Expert applicable to all assurance engagements

- Support for adoption and no need for any NZ amendments

Amend NZ SAE 1

- General question as to why NZ SAE 1 is needed
- The practitioners asked for certainty on the timeline for resolving the questions around the temporary standard NZ SAE 1 and transition to a permanent solution
- Practitioners indicated a preference to cross out references to ISAE (NZ) 3410 and replace with ISSA (NZ) 5000 if NZ SAE 1 is retained

Do you support the proposed conditional requirement for one-to-many reports being added to NZ SAE 1?

Yes, all agree this would introduce consistency to those who apply ISSA 5000

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

All who responded confirmed no this decision should not be deferred and ISAE (NZ) 3410 should be withdrawn in line with the international withdrawal.

Reasons for this were that firms would move to align with the international methodology and the standard would not be internationally aligned once it was withdrawn by the IAASB.

Question 12: Do you agree with the proposed application date for assurance engagements on sustainability information reported for periods beginning on or after 15 December 2026?

Yes – all agreed with the proposed date

Question 13: Do you have any further comments?

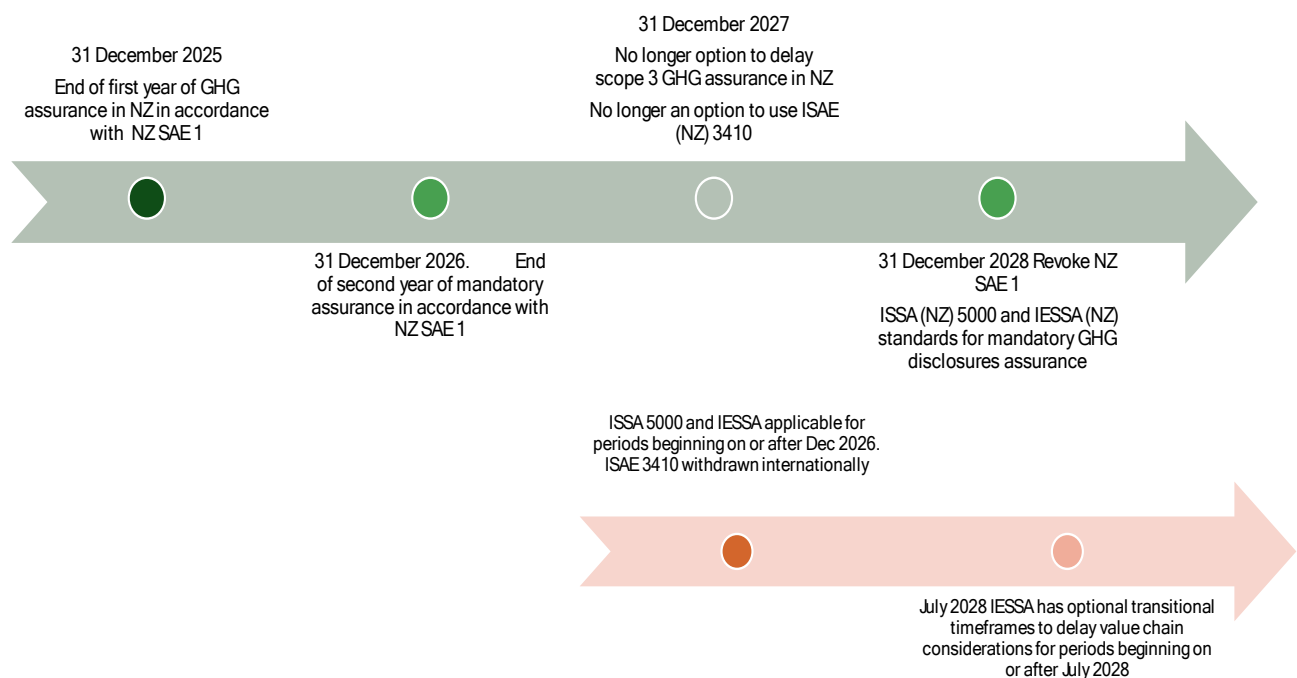
Clarification requested. If ISSA (NZ) 5000 is used, then you need to use requirements that are at least as demanding as the IESSA (NZ). Do you also have to apply the additional requirements in NZ SAE 1.

Having multiple standards appeared to be creating confusion.

Appendix 2 - Proposed Roadmap for option 2 transition to ISSA (NZ) 5000 and the IESSA

The transition roadmap has been developed as an example of what a roadmap could look like to provide greater certainty of timelines for transition to a permanent standard for the mandatory assurance of GHG emissions disclosures in the climate statements. The example timeline currently includes an additional year after the proposed applicable date of ISSA (NZ) 5000 to allow a smooth transition. We do not know whether this additional 1 year is necessary or whether it is sufficient, but it could reflect a more cautious transition timeframe.

Roadmap



Memorandum

To: John Kensington, Chair XRB

From: Graeme Pinfold, Chair NZAuASB

Subject: **Signing Memorandum**

Date: 12 December 2025

Introduction

1. In accordance with the protocols established by the XRB Board, the NZAuASB seeks your approval to:
 - (a) issue International Standard on Sustainability Assurance (New Zealand) (ISSA (NZ)) 5000, General Requirements for Sustainability Assurance Engagements
 - (b) revoke extant PES 1¹ and to reissue an updated PES 1, inclusive of International Ethics Standards for Sustainability Assurance (including International Independence Standards) (New Zealand) (IESSA (NZ)) together with other revisions to the Code and Revisions Addressing Using the Work of an External Expert
 - (c) issue Amendments resulting from the issue of ISSA (NZ) 5000.

Background

International process

2. Since the XRB issued the temporary standard NZ SAE 1² applicable to mandatory greenhouse gas emissions disclosures in August 2023, there have been developments in international assurance and ethical standards. Three international standards have been issued:
 - (a) the International Auditing and Assurance Board (IAASB) issued ISSA 5000³:
 - i. ISSA 5000 will replace ISAE 3000⁴ as the global standard applicable to sustainability assurance engagements
 - ii. in addition, the IAASB will withdraw ISAE 3410⁵. While ISAE 3410 is topic-specific to GHG emissions, the new ISSA 5000 addresses assurance of all types of sustainability reporting including GHG emissions. Internationally, the withdrawal of ISAE 3410 will take effect from the effective date of ISSA 5000. This is for periods beginning on or after 15 December 2026
 - (b) the International Ethics Standards Board for Accountants (IESBA) issued two standards:

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

² NZ SAE 1 Assurance Engagements over Greenhouse Gas Emissions Disclosures

³ International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements

⁴ ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information

⁵ ISAE 3410, Assurance Engagements on Greenhouse Gas Statements

- i. International Ethics Standards for Sustainability Assurance (including Independence Standards) (IESSA) and *Other Revisions to the Code Relating to Sustainability Assurance and Reporting*
 - ii. *Revisions to the Code Addressing Using the Work of an External Expert*. Note these amendments impact all assurance engagements including audits of financial statements.
3. These international standards are designed to work together as a package. They have been developed to be framework neutral (applicable to a wide range of sustainability reporting under suitable reporting frameworks) as well as practitioner neutral, able to be used by a broad range of assurance practitioners, and not limited to those from a financial background.
4. The IAASB issued Exposure Draft ISSA 5000 in August 2023. The consultation period closed on 1 December 2023. The IAASB received 146 comment letters including submissions from New Zealand based respondents: AFAANZ and the Office of the Auditor-General. The XRB's submission supported the IAASB's ambition of developing a global baseline standard for assurance over sustainability reporting. The XRB's submission raised the following key points:
 - (a) The need to limit the scope to general purpose reporting
 - (b) A more proportionate approach, inclusive of all practitioners, is needed to the "at least as demanding" approach to ethical and quality management requirements to ensure the requirements are profession agnostic
 - (c) Risks of widening the expectation gap
 - (d) Referring to both the entity's materiality process and the practitioner's materiality process was confusing
 - (e) Be more flexible in how an assurance practitioner may articulate the assurance conclusion
5. The IAASB made adjustments based on the global feedback received, some of which addressed the XRB's key concerns. The IAASB issued ISSA 5000 in November 2024, following certification by the PIOB.
6. The IESBA issued two exposure drafts in January 2024:
 - (a) Using the work of an external expert
 - (b) International ethics and independence for sustainability assurance practitioners (including the international independence standards)
7. The IESBA received 64 submissions on using the work of an external expert and 89 submissions on the IEISSA including a submission from the New Zealand Office of the Auditor-General. The XRB's submission broadly supported the proposed revisions in relation to sustainability and commended the IESBA's efforts to work closely with the International Accreditation Forum to develop profession agnostic standards.
8. The XRB's submission raised concern at the complexity of the provisions, urged the IAASB and the IESBA to align terminology to ensure the interoperability of the standards and emphasised the importance of competence. The XRB's submission on using the work of an external expert was broadly supportive, noting that the approach followed was broadly appropriate, and that the definitions are reasonable and responsive to the public interest.
9. The IESBA made adjustments based on the global feedback received and issued the IEISSA and Revisions to the Code Addressing Using the Work of an External Expert in January 2025, following certification by the PIOB.

10. These new international standards are applicable for periods beginning on or after 15 December 2026, with early adoption permitted.
11. To [date](#) Australia, Mexico, Pakistan, Hong Kong, Malaysia and the United Kingdom have adopted an equivalent of ISSA 5000. Many other jurisdictions are in the process of adoption including Canada, China, India, South Africa and many European jurisdictions.

Domestic process

12. In April 2025, the NZAuASB agreed to consult on the adoption of ISSA 5000. The NZAuASB approved a consultation paper and exposure drafts at its June meeting. The XRB issued the [consultation paper](#) on international alignment, sustainability assurance, ethics and independence and using the work of an external expert on 30 July 2025. This consultation closed on 10 October 2025. The consultation invited views on whether the XRB should:
 - (a) make ED ISSA (NZ) 5000 available for use in New Zealand
 - (b) make ED IESSA (NZ) available for use in New Zealand
 - (c) adopt revisions to the Code addressing the use of an external expert
 - (d) revise NZ SAE 1, to add the option to use ISSA (NZ) 5000 for periods beginning on or after 15 December 2026. The consultation document stated that the XRB had decided not to withdraw or replace NZ SAE 1 at this time
 - (e) retain ISAE (NZ) 3410, noting that the IAASB will withdraw ISAE 3410 for periods beginning on or after 15 December 2026
13. Outreach conducted during the consultation process included:
 - (a) 3 deep dive webinars, one on each Exposure Draft (ED), where participants completed polls.
 - (b) Virtual panel event to explore the international considerations relating to the development of the package of standards and the current market in New Zealand for sustainability assurance.
 - (c) A targeted workshop attended by 16 assurance practitioners from both accounting firms, sustainability assurance practices and the public sector.
 - (d) One to one meetings.
14. 10 written [submissions](#) were received: 2 from professional bodies, 1 from a sustainability assurance standard setter, 4 from professional services firms, 1 from the OAG, 1 from a carbon verification firm and 1 from a sustainability think tank.
15. A virtual meeting was held with the Financial Markets Authority to discuss their views on the consultation questions.
16. Follow up one to one meetings were held with practitioners, including those that were unable to attend the workshop and had not written a formal submission.
17. There was overwhelming support for making the proposed new international standards available for use in New Zealand. All feedback supported making these standards available for use in New Zealand. All practitioners from various backgrounds indicated that their firms would transition to the international standards on sustainability assurance and ethics and independence for sustainability assurance and stressed the importance of international alignment.
18. Many questioned why it was necessary to retain NZ SAE 1 given the intent by all practitioners to transition to ISSA (NZ) 5000 and the IESSA (NZ).

19. There was mixed feedback for adding a third option in NZ SAE 1. While there was strong support to use ISSA (NZ) 5000 for the assurance of the GHG disclosures, there were questions about the ongoing need for the temporary standard, and concern that there is too much flexibility. Adding a third option, was seen as adding confusion.
20. XRB staff also held one to one meetings with smaller practitioners that had issued assurance reports over the GHG emissions disclosures in the climate statements in the first year of mandatory assurance. These meetings confirmed the intent to transition to the new standards and explored whether two years would be considered sufficient time or whether more time would be necessary. These practitioners confirmed that they intended to transition by the applicable date of the international standards for periods beginning on or after 15 December 2026.
21. Given the strong feedback questioning the ongoing need for the temporary standard and the concern that the addition of a third option would give too much flexibility, the NZAuASB discussed two new options:
 - (a) Option 1- Revoke NZ SAE 1 and replace this with ISSA (NZ) 5000 from the applicable date of periods beginning on or after 15 December 2026. If the NZAuASB agrees to issue ISSA (NZ) 5000 and the IESSA (NZ), this would mean that for mandatory assurance engagements for periods ending December 2027 would be required to be undertaken in accordance with the three standards: ISSA (NZ) 5000, the IESSA (NZ) and PES 3⁶ relating to quality management. Any decision about the future of the temporary standard is a strategic decision and will require input from the NZAuASB and discussion and agreement with the XRB board, in addition to considering whether any additional input is needed.
 - (b) Option 2 – retain and maintain NZ SAE 1 in a different way then proposed and replace the option to use ISAE (NZ) 3410 with an option to use ISSA (NZ) 5000, rather than adding ISSA (NZ) 3410 as a third option. (To add more here pending the NZAuASB and XRB discussion)

In addition there is a need to develop and issue a roadmap to detail the planned timelines to transition to ISSA (NZ) 5000 as the sustainability assurance standard to be used for the mandatory assurance of the GHG disclosures in the future to provide more certainty to the market.
22. Based on the feedback received the NZAuASB approved for issue:
 - (a) International Standard on Sustainability Assurance (New Zealand) 5000, *General Requirements for Sustainability Assurance Engagements* for periods beginning on or after 15 December 2026. Early adoption is permitted.
 - (b) A new version of Professional and Ethical Standard 1 that includes the IESSA (NZ) and Revisions to the Code Addressing Using the Work of an External Expert for periods beginning on or after 15 December 2026. Early adoption is permitted. This included approval to revoke the extant PES 1.
 - (c) Amendments resulting from the issue of ISSA (NZ) 5000.
23. The ED proposed a “wait and see” approach for ISAE (NZ) 3410 and proposed deferring the decision on whether to withdraw this standard. Most stakeholders recommended that ISAE (NZ) 3410 be withdrawn and be replaced by ISSA (NZ) 5000. Reasons for this included that this would maintain international alignment. Once ISAE 3410 is withdrawn internationally, practitioners using it cannot claim to be internationally aligned.

24. The OAG's submission urged the XRB to retain ISAE (NZ) 3410 as an option within ISSA (NZ) 5000. They considered that it was a topic specific standard and in the absence of global support they asked for time to transition. XRB staff discussed this point in more detail with the OAG in a meeting on 17 November 2025 as their viewpoint was not expressed by other practitioners. The OAG confirmed that, given the proposed date of transitioning from ISAE (NZ) 3410 to ISSA (NZ) 5000 is periods beginning on or after 15 December 2026, this should not be unworkable for them.
25. The decision as whether ISAE (NZ) 3410 is still needed is linked to the discussion on the future of the temporary standard. (To add more here pending the NZAuASB and XRB discussion)

Consideration of costs and benefits

26. Key benefits of the issuing these standards include:
 - International alignment, meaning that assurance reports will be accepted in global markets
 - A number of our respondents indicated that their global methodology is moving to adopt these standards. If the XRB does not move to make these available then they will not be aligned internationally and there will be higher costs for domestic workarounds
 - Best practice thinking for subject matter that is relevant to assurance of scope 3 GHG emissions disclosures. This includes assurance and ethics and independence considerations related to value chains and groups.
27. The standard also presents potential costs or risks from its adoption, including:
 - Implementation costs for smaller practitioners who do not have global support. Although all practitioners raised that they intend to move to the new standards, they did raise the cost and resourcing effort that it will take to do that.
28. Based on feedback received our New Zealand stakeholders agree that the costs and risks will be offset by the benefits.

Harmonisation with Australia

29. The Auditing and Assurance Standards Board (AUASB) issued ASSA 5000⁷ in January 2025. ASSA 5000 is effective for assurance engagements on sustainability information reported for periods beginning on or after 1 January 2025. In Australia, ASSA 5000 will be effective for the mandatory assurance of the first group of mandatory reporting for periods from 1 January 2025.
30. The AUASB added additional Australian paragraphs to:
 - (a) Refer to APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional & Ethical Standards Board (APESB)
 - (b) Explain different terms used in the Corporations Act 2001 and the AUASB standards
 - (c) Prohibit the use of internal auditors to provide direct assistance in a sustainability assurance engagement.
31. The Australian paragraphs referencing the APESB Code and or the Corporations Act 2001 are not relevant in New Zealand. There is an existing difference between XRB and AUASB standards, when it comes to direct assistance and the use of internal auditors. The XRB has not prohibited this use in other assurance engagements, while the AUASB has

⁷ Standard on Sustainability Assurance (ASSA) 5000, General Requirements for Sustainability Assurance Engagements

consistently prohibited the provision of direct assistance by internal auditors. This difference does not impact our harmonisation approach with the AUASB.

32. In Australia, the Accounting Professional and Ethical Standards Board (APESB) issues the Code of Ethics. The APESB issued amending standards in July 2025, to adopt the IESSA and the Revisions to the Code relating to using the work of an external expert. The principles and requirements of APES 110 and PES 1 are consistent, except for the matters outlined below:
 - The addition of specific Australian paragraphs, including Australian specific definitions, to deal with applicable Australian laws and regulations, Australian Accounting Standards, Auditing and Assurance Standards, Accounting Professional & Ethical Standards, or to address specific matters in the Australian environment
 - The IESBA's requirements for key sustainability assurance leaders not to be incentivised for selling non-assurance services to their sustainability assurance clients have been broadened in paragraph AUST R5411.4 of APES 110 to ensure that key sustainability assurance leaders are not incentivised for selling non-assurance services to any sustainability assurance client of the firm. This difference mirrors the existing difference between the IESBA's Code and APES 110, regarding selling non-assurance services by the key audit partner. There is no similar broadening of the requirement in PES 1. This difference does not impact our harmonisation with the APESB.
 - Subsection 5604 of APES 110 mandates the documentation of factors considered and conclusions reached in determining that a tax service (including a tax advisory and tax planning service) provided by the firm that performs the sustainability assurance engagement is permissible (paragraphs AUST R5604.4.1 and AUST R5604.12.1) and provides guidance that the firm will need a high level of confidence that the tax treatment has a basis in tax law that is likely to prevail (paragraphs AUST 5604.4 A1.1 and AUST 5604.12 A2.1). IESSA (NZ) includes similar New Zealand requirements, therefore there is harmonisation between the XRB and APESB.
33. The standard requires disclosure of personal information and the name of engagement partner for Financial Market Conduct Act reporting entities that are considered to have a higher level of public accountability (FMC HLPAs) entities (ISSA (NZ) 5000 para 191). 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.
34. The Privacy Commissioner was consulted and confirmed in a letter dated 17 October 2025 that he was satisfied that an appropriate balance between protecting privacy and providing further transparency to the audience of the auditor's report has been achieved. Clause 191 of the Standard allows the name of the engagement leader to not be included if there is a reasonable expectation that it will lead to a significant personal security threat.
35. Under section 21 of the Privacy Act 2020, the commissioner confirmed that he must take account of international obligations accepted by New Zealand. He noted that the ISSA (NZ) 5000 General Requirements for Sustainability Assurance Engagements brings New Zealand in line with international standards.

Due process

36. 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 22 of the Financial Reporting Act 2013.

Consistency with XRB Financial Reporting Strategy

37. The adoption of these international standards 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

38. There are no other matters relating to the issue of these standards that the NZAuASB considers to be pertinent or that should be drawn to your attention.
39. The NZAuASB recommends that you sign the attached certificate of determination on behalf of the XRB Board.

Attachments

- International Standard on Sustainability Assurance (New Zealand) 5000, *General Requirements for Sustainability Assurance Engagements*
- A new version of Professional and Ethical Standard 1 that includes the IESSA (NZ) and Revisions to the Code Addressing Using the Work of an External Expert.
- Amendments resulting from the issue of ISSA (NZ) 5000
- Certificate of determination
- Approval Certificate

Graeme Pinfold
Chair NZAuASB

Subject: GHG Assurance Snapshot – Statistics for Board’s information

Objective

1. To NOTE the ongoing monitoring of assurance reports issued in relation to climate statements of climate reporting entities (CREs).

Introduction

2. We have issued two snapshots based on climate statements lodged with the Companies Office:
 - (a) By 31 May 2025 [Snapshot 1 June 2025](#)
 - (b) By 31 July 2025 [Snapshot 2 September 2025](#)
3. By 31 October, an additional 55 climate statements were lodged with the Companies Office.
4. In October 2025, the Minister of Commerce and Consumer Affairs announced the Government had decided to make the following changes to the climate reporting regime as part of the Financial Markets Conduct Amendment Bill (with legislation expected to be passed in 2026):
 - (a) increase the mandatory climate reporting threshold for listed issuers from \$60 million market capitalisation for equity issuers and \$60 million total face value of quoted debt for debt issuers to \$1 billion for both equity and debt issuers;
 - (b) remove managed investment schemes; and
 - (c) amend director and company liability settings.

Matters to note

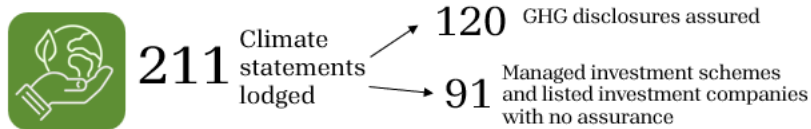
5. The data that we have collected from the 211 climate statements that have been lodged by 31 October 2025, provide an overview of the first year of mandatory assurance over greenhouse gas emissions disclosures. The overview is included in the appendix to this memo.
6. The overall statics from our first year of monitoring is that:
 - (a) 86% of the assurance reports referenced ISAE (NZ) 3410¹
 - (b) 83% of the assurance reports referenced PES 1²
 - (c) 65% of CREs engaged their financial statement auditor to perform the GHG assurance engagement
 - (d) Where CREs engaged a different practitioner from their financial statement auditor, some of those engagements are undertaken using ISAE (NZ) 3410. 13% of engagements referenced ISO 14064-3:2019³.
7. Given the Government announcements, we need to reconsider our approach to monitoring, with a focus on those that remain in the regime, and what to focus on in any publications.

¹ International Standard on Assurance Engagements (New Zealand) 3410 *Assurance Engagements on Greenhouse Gas Statements*

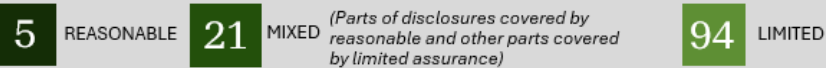
² Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand)

³ ISO 14064-3:2019 *Greenhouse gases —Part 3: Specification with guidance for the verification and validation of greenhouse gas statements*

Appendix Statistics



LEVELS OF ASSURANCE OVER GHG EMISSIONS DISCLOSURES



ASSURANCE CONCLUSIONS

120 Unmodified/Unqualified

0 Modified/Qualified

ASSURANCE PRACTITIONERS

78 Financial statement auditors

42 Assurance practitioners from another assurance organisation

ASSURANCE STANDARDS

103 ISAE (NZ) 3410

16 ISO 14064-3:2019

01 ASAE 3410

ETHICAL STANDARDS

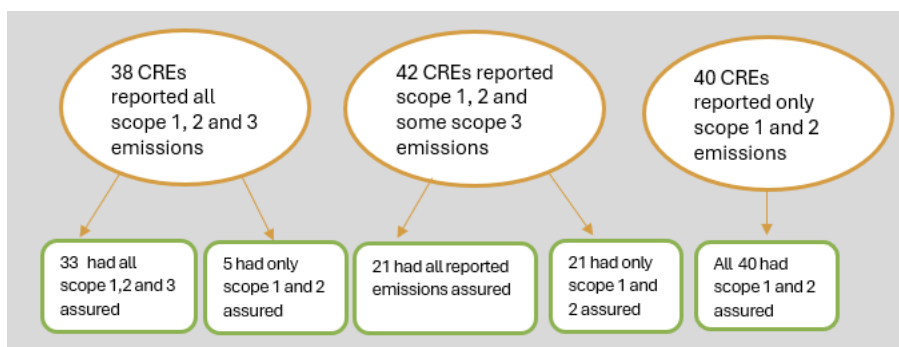
100 PES 1

02 APES 110

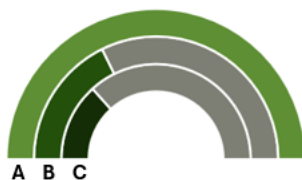
06 ISO 14065:2020, CEP Code of Ethics

09 ISO 14065:2020, ISO 17029:2019, JAS ANZ accreditation requirements¹

03 Not specified



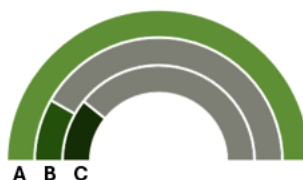
REPORTING OF GHG EMISSIONS



GHG emissions reported

A: Scope 1 and 2	120
B: Partial scope 3	42
C: All scope 3	38

ASSURANCE OF GHG EMISSIONS



GHG emissions assured

A: Scope 1 and 2	120
B: Partial scope 3	21
C: All scope 3	33

NZAuASB Board meeting summary paper

Meeting date: 3 December 2025
Subject: **NZAuASB Work Plan**
Date: 21 November 2025
Prepared by: Misha Pieters

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

Agenda item objectives

1. The objective is for the Board to:
 - (a) NOTE the progress against the performance expectations related to assurance
 - (b) NOTE updates and DISCUSS the assurance portfolio, forward agenda and consultation plans attached.

Matters to consider

Statement of performance expectations (SPE)

2. The XRBs statement of performance expectations sets out the following performance measures and targets related to assurance:

Performance measure	2025/26 Performance Target
Issue all relevant* international (IAASB and IESBA) consultation documents and exposure drafts <small>* Relevant means those that are within the XRB's mandate and is applicable in the New Zealand context</small>	Timing: All consultations and exposure drafts are issued within 3 weeks of international release. Quality: 100% compliance with due process
Issue all relevant* international (IAASB and IESBA) auditing and assurance standards in line with the XRB's convergence and harmonisation policy.	Timing: Issue a minimum of 6-12 months, depending on the significance, before the international effective date. Quality: 100% compliance with due process.
Support adoption and implementation of key auditing and assurance standards through consultation outreach and implementation support activities (including need to know updates, deep dive webinars, feedback forums and workshops, guidance material)	Number of adoption and implementation support activities and publications: 15 Quality: 75% of survey respondents are satisfied with the quality of the XRB's assurance-related consultation outreach, adoption and implementation support.
Make submissions to IAASB and IESBA international exposure drafts as relevant*	Timing: Before the comment period closes internationally

3. In the 6 months to December 2025 we have made the following progress:

a. Consultations and exposure drafts:

- i. No consultations or exposure drafts have been issued by the IAASB or the IESBA in the 6 months to December 2025. We did respond to a request for information to inform the development of the ISA 540- post implementation review.
- ii. We are on track to issue the following international consultations and exposure drafts by June 2026:
 1. Post implementation review surveys (to be issued early in 2026):
 - a. *ISA 540 Auditing Accounting Estimates and Related Disclosures*
 - b. *Restructured Code*
 - c. *Non-compliance with laws and regulations*
 2. Joint IAASB /IESBA Survey on Strategy and work plans (to be issued early in 2026)
 3. ISRE 2410 Interim Review Engagements (to be issued in April 2026)
 4. Audit evidence and risk response exposure drafts for approval in June 2026 may be ready by 30 June 2026
 5. Revisions to ISA for LCE for approval in June 2026.

b. Issue standards:

- i. issued amendments to NZ SAE 1 relating to the deferral of assurance over the scope 3 greenhouse gas emissions disclosures in November 2025.
- ii. anticipate issuing the revised going concern and fraud standards as well as all changes necessary for the public interest entity track 2 project by revoking and reissuing the ISAs (NZ) by the end of December 2025 (or will do so early in 2026) (effective for periods beginning on or after 15 December 2026). Depending on when we gazette, either before Christmas or early in the new year, this will be around 12 months before the effective date of the international standards and achieve the SPE target given the significance of the amendments. It is flagged as “at risk” in the prioritization schedule however, as if there are further delays, we will not meet our target.
- iii. pending approval of ISSA (NZ) 5000, and the IESSA (NZ) inclusive of the revisions for the use of external experts at the December NZAuASB meeting, we plan to issue (effective for periods beginning on or after 15 December 2026) early in 2026. This will be approximately 12 months before the effective date of the international standards and achieve the SPE target given the significance of the amendments. It is flagged as “at risk” in the prioritization schedule however, as if there are further delays, we will not meet our target.
- iv. on track to issue the narrow scope amendments use of experts following the February NZAuASB meeting, noting these are effective for periods beginning on or after 15 December 2026. This will be approximately 9 months before the international standard’s effective date. This is on track to achieve our SPE measure, given that these are less significant changes, and that the international standard has not yet been issued, awaiting PIOB certification.

c. Support adoption and implementation:

- i. To December 2025 we are on track to meet the target for the year and have held:

- 1 need to know update
- 5 deep dives covering sustainability assurance and ISA (NZ) for LCE
- 2 workshops covering service performance information and sustainability assurance
- 1 panel event on sustainability assurance
- 1 roundtable on technology and quality management
- 4 External presentations to CAANZ members, IOD members, AFAANZ, Massey University

We plan to issue guidance on audit evidence on service performance information before the summer close down.

We have developed guidance for preparers, directors and auditors to support the adoption of the revised going concern standard and plan to release that early next in 2026.

- ii. For the 6 months to June 2026 we plan to:

- Host a second need to know update
- Present at the Audit Assistant and CAANZ conferences
- Host additional events relating to the fraud and going concern standards
- Host events to engage on the consultation topics listed above

In terms of guidance we plan to:

- Issue an updated explanatory guide on the Audit Implications of the Use of Service Organisations for Investment Management Services
- Issue staff guidance to support the assurance of scope 3 GHG emissions disclosures
- Issue guidance to support the reporting and assurance of service performance information

d. Make submissions:

- i. No consultations or exposure drafts have been issued by the IAASB or the IESBA within the 6 months to December 2025.
- ii. We plan to submit by due date on all consultations listed above

Assurance portfolio and forward planning

4. Based on the feedback at the October, we continue to update the:

- (a) Assurance portfolio – orange text reflects updates from the prior meeting for your information
- (b) Forward agenda planning – no changes to highlight
- (c) Consultation overview – no changes to highlight

5. In future we proposed to reflect a 12 month rolling forward plan, rather than reflect the meetings that have already past and seek input on that approach.











Recommendations

6. The Board is asked to NOTE the progress to date on the SPE measures, together with the updated assurance portfolio, forward agenda planning and the consultation plans.






Material presented

- Board meeting summary paper
- Assurance portfolio
- Forward agenda
- Consultation plan

Assurance Portfolio

Name	Type	Next deliverable expected	Status of current year deliverables	Target Delivery Date - Start	Target Delivery Date - End	Owner	SOI Category	Planned action for the coming year
Update EG AU8 in conjunction with AUASB	Audit	Issue guidance	On track	Mar-26	 Mar-26	Thinus Peyper	Fit for purpose	Work with project advisory group to update existing guidance. Plan to issue updated guidance in March/April 2026
2025 ISAs (NZ) Reissue	Audit	Issue Standard	On track	Dec-25	 Dec-25	Anna Herlender	Fit for purpose	Refer agenda item
ISA (NZ) for LCE	Audit	Support - engage	On track	Jul-25	 Jun-26	Bruce McNiven	Supporting adoption & implementation	Walkthrough video 1, 2 and 3 done. Guidance on applicability issued. Deep dive held in October. Plans to issue illustrative reports by December 2025.
Technology	Audit	Support - engage	On track	Nov-25	 Nov-25	Thinus Peyper	Fit for purpose	Monitoring international and domestic developments. Roundtable event held in November.
Impact of audit reforms / inspection findings on XRB standards	Audit	To monitor	On track	Nov-25	 Nov-25	Thinus Peyper	Fit for purpose	Monitor audit reform in UK and Aus. Monitor inspection findings. FMA annual report issued in November. Discuss reflections on audit inspection findings at December board meeting.
Audit and review of service performance standards	Non-financial	Support - engage	On track	Jun-25	 Oct-25	Lisa Thomas	PBE Performance Reporting, Supporting adoption & implementation	Delayed. Target to issue audit evidence guidance as part of broader comms plan to support the reporting and assurance of service performance information.
Deferral of scope 3 emissions reporting and assurance	Non-financial	Issue standard	Complete	Nov-25	 Nov-25	Karen Tipper	Fit for purpose	Amending standard issued in November 2025
Monitor and implementation support for GHG assurance	Non-financial	Support - engage	On track	Jul-25	 Jun-26	Karen Tipper	Supporting adoption & implementation	Held workshop in October. Issue guidance in November and December 2025. Delayed to February and March 2026
XRB strategy for climate assurance and implications for NZ SAE 1	Non-financial	To monitor	On track	Dec-25	 Dec-26	Misha Pieters	Fit for purpose	Consider feedback received from consultation. The XRB will need to make a decision on the temporary standard in due course. Refer to agenda discussion
Public Sector Performance Reporting	Non-financial	Support - publish	Complete	Oct-25	 Oct-25	Thinus Peyper	PBE Performance Reporting	XRB submission on FEC inquiry completed in October
GHG Snapshot	Non-financial	Support - publish	On track	Nov-25	 Nov-25	Anna Herlender	Supporting adoption & implementation	Edition 2 published. Update to be discussed at December meeting
Consider assurance related to He Taurira	Non-financial	To monitor	On track			Karen Tipper	Integrated Reporting	He Taurira - XRB. No planned output for this reporting period.
Engage on audits of Māori entities	Non-financial	To monitor	On track			Karen Tipper	Integrated Reporting	Continue to meet with OAG to learn from their active project, and respond if need identified
Update standard setting policies based on developments for climate assurance	Non-financial	Operational	On track	Nov-25	 Jun-26	Bruce McNiven	Operations	To work across the XRB teams to update our policies in a consistent way but that is appropriate for each team
ISO developments	Non-financial	To monitor	On track	Dec-25	 Dec-25	Karen Tipper	International Influence	Monitor developments for GHG and sustainability assurance. New ISO standard is currently in the final stage of development and expected to be issued in Q1 2026

Name	Type	Next deliverable expected	Status of current year deliverables	Target Delivery Date - Start	Target Delivery Date - End	Owner	SOI Category	Planned action for the coming year
SPE measure: Issue all relevant international consultation and exposure drafts in accordance with due process and within 3 weeks of international release								
Audit evidence and risk response	Audit	Issue ED	On track	Jun-26	Jun-26	Thinus Peyper	Fit for purpose	IAASB has delayed the approval of the Exposure drafts to June 2026
ISRE 2410 Interim Review Engagements	Audit	Issue ED	On track	Apr-26	Apr-26	Sharon Walker	Fit for purpose	XRB staff support project. Expected approval of ED in March 2026
Revisions to ISA for LCE	Audit	Issue ED	On track	Jun-26	Jun-26	Bruce Mcniven	Fit for purpose	IAASB to approve an exposure draft in June 2026
Post implementation review of ISA 540	Audit	Issue survey	On track	Jan-26	Feb-26	Lisa Thomas	Fit for purpose	Completed request for info in August 25. IAASB approval of survey expected in Dec 25 and issue in Jan 26.
IAASB Strategy and work plan 2028-2031	Audit	Issue survey	On track	Feb-26	Feb-26	Karen Tipper	Fit for purpose	Joint survey with the IESBA expected to be approved in December and issued Jan/Feb 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 through support activities with surveyed respondents as a measure of quality								
Public Interest Entity track 2	Audit	Issue Standard	At risk	Dec-25	Dec-25	Anna Herlender	Fit for purpose	Delay in drafting advice on revocation and replacement. Aiming to issue before end of December if possible. At risk is indication that we may issue less than 12 months before the start of the mandatory period of the changes
Fraud standard (ISA (NZ) 240)	Audit	Issue Standard	At risk	Dec-25	Dec-25	Sharon Walker	Fit for purpose	Delay in drafting advice on revocation and replacement. Aiming to issue before end of December if possible. At risk is indication that we may issue less than 12 months before the start of the mandatory period of the changes
Going Concern revised standard	Audit	Issue Standard	At risk	Dec-25	Dec-25	Sharon Walker	Fit for purpose	Delay in drafting advice on revocation and replacement. Aiming to issue before end of December if possible. At risk is indication that we may issue less than 12 months before the start of the mandatory period of the changes
Narrow scope amendments use of experts	Audit	Issue Standard	On track	Feb-26	Feb-26	Anna Herlender	Fit for purpose	IAASB approved standard in Sep 2025. Next steps to consider implications for XRB standards with aim for 6-12 month lead time following certification by the PIOB.
ISSA 5000	Audit	Issue Standard	At risk	Dec-25	Dec-25	Karen Tipper	Fit for purpose	To discuss approval at the December meeting. At risk is indication that we may issue less than 12 months before the start of the application period of ISSA 5000
SPE measure: Make submission on relevant documents by due date								
Narrow scope amendments use of experts	Audit	Submission	Complete	Jul-25	Jul-25	Bruce Mcniven	International Influence	Submission complete Refer above as project moves to next phase which will be to issue the standard in New Zealand
International influence - contribute ahead of exposure draft								
Modernising ISA 500 Series: Inventory counts, confirmations and sampling	Audit	Support - engage	On track	Dec-26	Dec-26	Thinus Peyper	Fit for purpose	IAASB targeting to approve exposure drafts in Dec 2026. Engage to inform New Zealand input into developing ED

Name	Type	Next deliverable expected	Status of current year deliverables	Target Delivery Date - Start	Target Delivery Date - End	Owner	SOI Category	Planned action for the coming year
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 through support activities with surveyed respondents as a measure of quality								
Use of external experts	Ethics	Issue Standard	At risk	Dec-25	 Dec-25	Karen Tipper	Fit for purpose	To discuss approval at the December meeting. At risk is indication that we may issue less than 12 months before the start of the application period of IESSA
IESSA	Ethics	Issue Standard	At risk	Dec-25	 Dec-25	Karen Tipper	Fit for purpose	To discuss approval at the December meeting. At risk is indication that we may issue less than 12 months before the start of the application period of IESSA
SPE measure: Issue all relevant international consultation and exposure drafts in accordance with due process and within 3 weeks of international release								
Post implementation review of restructured code	Ethics	Issue survey	On track	Jan-26	 Feb-26	Lisa Thomas	Fit for purpose	IESBA to issue survey in Jan/Feb following approval at Dec meeting
IESBA Strategy and Work plan 2028-2031	Ethics	Issue survey	On track	Feb-26	 Feb-26	Karen Tipper	Fit for purpose	IESBA to approve joint survey in December and issue in Jan/Feb
Post implementation review of non-compliance with laws and regulations (NOCLAR)	Ethics	Issue survey	On track	Feb-26	 Feb-26	Lisa Thomas	Fit for purpose	IESBA to issue survey in Jan/Feb following approval at Dec meeting
International influence - contribute ahead of exposure draft								
Firm culture and governance	Ethics	To monitor	On track			Lisa Thomas	Fit for purpose	IESBA expected to issue draft guidance for feedback following Dec 25 meeting
Collective investment vehicles	Ethics	To monitor	On track			Karen Tipper	Fit for purpose	To monitor developments post submission. IESBA discussion at Dec 2026 meeting
Private equity in firms	Ethics	To monitor	On track			Karen Tipper	Fit for purpose	To monitor developments in NZ. IESBA have issued staff FAQs
Profession agnostic independence standards for sustainability assurance not in scope of Part 5	Ethics	To monitor	On track			Anna Herlender	Integrated Reporting	Information gathering at November 2025 JSS discussion. JSS may be asked to complete request for input or further surveys over the next quarter

Board Report - Forward Agenda

Projects	2025					2026						
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
ISRE 2410 Interim Review Engagements												
Update EG AU8 in conjunction with AUASB												
International alignment sustainability ethics and use of external experts												
Impact of audit reforms / inspection findings on XRBstandards												
Modified assurance reports												
Narrow scope amendments use of experts IAASB												
Post implementation review of non-compliance with laws and regulations (NOCLAR)												
ISSA 5000												
Public Interest Entity track 2												
ISA (NZ) for LCE												
IAASB Strategy and work plan 2028-2031												
Post implementation review of ISA 540												
IESBA Strategy and Work plan 2028-2031												
Audit evidence and risk response												
Audit and review of service performance standards												
Use of external experts (IESBA)												
2025 ISAs (NZ) Reissue												
Technology												
IESSA												
Post implementation review of restructured code												

Board Report - Consultations View

Projects	2025					2026						
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
ISRE 2410 Interim Review Engagements												
Share and inform constituents												
Deferral of reporting and assurance Scope 3 greenhouse gas emissions												
Consultation period XRB												
International alignment sustainability ethics and use of external experts												
Consultation period XRB												
Post implementation review of non-compliance with laws and regulations (NOCLAR)												
Outreach to respond to survey												
IAASB Strategy and work plan 2028-2031 (joint)												
Consultation period XRB												
Post implementation review of ISA 540												
Outreach to respond to survey												
IESBA Strategy and Work plan 2028-2031 (joint)												
Consultation period XRB												
Revisions to ISA for LCE												
Outreach activities												
Technology												
Host IAASB roundtable discussion - quality management												
IESSA												
Share and inform constituents												
Post implementation review of restructured code												
Outreach to respond to survey												
Audit evidence and risk response												
Outreach to respond to survey												
Reporting and assurance of service performance information												
Consultation period XRB												

NZAuASB Board meeting summary paper

Meeting date: 3 December 2025

Subject: **Use of experts – narrow scope amendments**

Date: 17 November 2025

Prepared by: Anna Herlender

Reviewed by: Karen Tipper, Misha Pieters

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

Agenda item objectives

1. The objective of this agenda item is to:
 - inform the Board about the IAASB's approval of *Narrow-Scope Amendments to IAASB Standards Arising from the IESBA's Using the Work of an External Expert Project*.
 - identify whether New Zealand specific changes are required.

Background

2. In response to the IESBA's Revisions to the Code of Ethics Addressing Using the Work of an External Expert, the IAASB's proposed targeted amendments to the IAASB standards. This is to ensure that the auditing and assurance and ethical standards remain interoperable when the auditor uses the work of an external expert.
3. The [Exposure Draft](#) was issued by the IAASB in April 2025. The Exposure Draft proposed:
 - (a) Targeted amendments to the auditing standard ISA 620¹.
 - (b) Targeted amendments to other IAASB standards ISAE 3000 (Revised)², ISRE 2400³, and ISRS 4400⁴.
4. These proposed amendments included:
 - (a) a new requirement in ISA 620 for the auditor to consider the provisions of relevant ethical requirements related to using the work of an expert. This creates a bridge between the ISA requirements and the new Code of Ethics provisions.
 - (b) new application material in ISA 620 explicitly stating that evaluation of the adequacy of the auditor's expert's work is based on the presumption that the auditor has determined that the expert has the necessary competence, capabilities and objectivity (CCO).
 - (c) new application material in ISA 620 for auditors to consider relevant ethical requirements when evaluating the CCO of the expert.
 - (d) Similar material to be added for ISAE 3000 (Revised), ISRE 2400 and ISRS 4400.

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

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

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

⁴ ISRS 4400, *Agreed-Upon Procedures Engagements*

5. The following standards were not within the scope of the project:
 - ISSA 5000⁵ – based on coordination activities between the IAASB and the IESBA when finalising ISSA 5000, the two Boards agreed that there is interoperability between ISSA 5000 and Section 5390 of the Code *Using the Work of an External Expert*. In addition, IAASB considers that benefits of a stable platform for a new standard outweigh the benefits of proposing further changes to align ISSA 5000 with proposed narrow-scope amendments to the other IAASB standards.
 - ISAE 3410⁶ – due to the fact that this standard will be withdrawn internationally once ISSA 5000 becomes effective.
6. The XRB has notified constituents of the Exposure Draft through need-to-know webinar in April, the assurance alert, LinkedIn and Pitopito kōrero. No formal submissions have been received. The developing proposed wording for the Exposure Draft was also discussed at our technical reference group on 11 March to inform the discussion at the March IAASB meeting. Overall, feedback supported the amendments.
7. The NZAuASB considered the Exposure draft during April 2025 and June 2025 meetings. The XRB submitted comments on the IAASB proposal in July 2025. [The XRB submission](#) was supportive of the proposed amendments with no specific suggestions for further changes.

Matters to consider

IAASB approval

8. The IAASB approved [the narrow scope amendments relating to use of experts](#) in September 2025. However the standard has not yet been issued, as it awaits certification by the PIOB.

Key changes compared to the exposure draft

9. The key changes made to finalise the narrow scope amendments was to add a specific prohibition on using the work of an auditor's expert, when:
 - the auditor concludes that the auditor's expert does not have the necessary competence or capability, or
 - the threats to the expert's objectivity cannot be eliminated or reduced to an acceptable level.

This has been elevated to a requirement (as opposed to the proposed application material in the Exposure Draft).

10. The explicit prohibition was introduced to drive consistency in auditor's approach, including when a jurisdiction does not adopt the Code.
11. The reference to the circumstances when the threats to the expert's objectivity cannot be eliminated or reduced to an acceptable level was introduced as a result of the feedback received to give further prominence to the fact that a threat and safeguard approach can be applied to the evaluation of an expert's objectivity.
12. We agree with the above changes. They do not introduce new concepts or requirements, rather they clarify what was included in the Exposure Draft.

New Zealand compelling reason changes

13. Staff have not identified any New Zealand specific changes, other than the usual minor drafting changes that ensure consistency with the XRB's auditing and assurance standards.

⁵ ISSA 5000, *General Requirements for Sustainability Assurance Engagements*

⁶ ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*

For example, referring to PES 1⁷ instead of the IESBA's Code or using the term "assurance practitioner" instead of "professional accountant" when referencing the provisions in PES 1/the IESBA's Code.

14. The AUASB staff is still going to analyse the final version of the amendments. No changes for Australian context have been identified by AUASB staff up to date (based on the text of the Exposure Draft).

Other matters to consider

15. ISAE 3410 is scoped out from the IAASB's narrow scope amendments (see para 5 above). If ISAE (NZ) 3410⁸ continues to be used in New Zealand as part NZ SAE 1⁹ provisions, the XRB will need to decide if and how best to maintain that local standard. One such example will be considering possible amendments relating to the use of experts in ISAE (NZ) 3410 to ensure its interoperability. Staff have not developed proposed changes to ISAE (NZ) 3410, pending the discussion on international alignment. We do not propose to include amendments to ISAE (NZ) 3410 at this time.

Effective date

16. The effective date for the amendments is for periods beginning on or after 15 December 2026. This date aligns with the effective period of the IESBA's revisions to the code addressing the use of the work of an external expert. Staff do not propose to make any changes to this date.

Further steps

17. Subject to certification by Public Interest Oversight Board (PIOB), the final pronouncement will be published by the IAASB in January 2026.
18. We plan to seek approval of the amending standard at the Board's February 2026 meeting, if the Board approves the issue of the Use of External Experts standards within the Code of Ethics at this December 2025 meeting.

Recommendations

19. We recommend that no compelling reason changes are needed to the New Zealand auditing and assurance standards in relation to use of experts. We ask the Board to provide their views about whether they agree with this recommendation.

Material presented

- Board meeting summary paper

⁷ PES 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*

⁸ ISAE (NZ) 3410 *Assurance Engagements on Greenhouse Gas Statements*

⁹ NZ SAE 1 *Assurance Engagements over Greenhouse Gas Emissions Disclosures*

NZAuASB Board meeting summary paper

Meeting date: 3 December 2025

Subject: **EG AU 8 / GS 007 progress update**

Date: 20 November 2025

Prepared by: Thinus Peyper

☐ **Action Required**

☒ **For Information Purposes Only**

Agenda item objectives

1. To update the Board on the joint NZAuASB/AUASB project to revise the service organisation guidance for investment management services as described in EG AU 8 / GS 007 (the joint guide).

Background

2. In May 2025, the Board considered and approved the project plan to revise the joint guide, which was issued in New Zealand in 2013 (updated and reissued in Australia in 2011).
3. The objective of the project is to consider and address topics in the joint guide that auditors find difficult to apply.
4. The Project Advisory Group (PAG), represented by audit firms from New Zealand and Australia, has met six times during 2025 to discuss the topics in more detail and consider the proposed revisions made by XRB and AUASB staff.
5. For the convenience of the Board, we've summarised the parties involved in these engagements and their roles:
 - User entity means an entity that uses a service organisation and whose financial statements are being audited.
 - User auditor means an auditor who audits and reports on the financial statements of a user entity.
 - Service organisation means a third-party that provides services to a user entity. And those services form part of the user entity's financial reporting information system.
 - Service auditor means an auditor who, at the request of the service organisation, provides an assurance report on the controls at the service organisation for the benefit of the User entity and the User auditor.
 - Type 2 report means the service organisation's description of its system, control objectives and related control activities, including their design, implementation and operating effectiveness. And the service auditor's assurance report thereon.
 - Subservice organisation means a third-party used by the service organisation to perform some of the services that the service organisation provides to the user entity.
6. We've highlighted the key discussions to date for each topic in Appendix 1. For more details, the Board can find paragraph references to the draft GS 007, making it easy to review the proposed changes in context.

Recommendation

7. We recommend that the Board:
 - NOTE the progress described against summarised issues from the approved project plan in Appendix 1; and
 - PROVIDE any informal high-level feedback the Board may have (without making any decisions).

Next steps

8. The PAG will meet before the December break to discuss further refinements to the following topics:
 - nature, timing and extent of controls testing (and related considerations);
 - other information; and
 - emerging service providers.
9. The project is on track to be completed by March 2026, in terms of the project plan. The aim is to bring the revised EG Au8 to the Board for decisions in the first quarter of 2026. The decision-making process will be coordinated with the AUASB.

Material presented

- Board meeting summary paper
- Appendix 1 – Progress update
- Supplementary paper – GS 007 showing markup to PAG meeting #6

Appendix 1 – Progress update

Guidance topics		Description of amendments
#	Subservice organisations (SSOs) – <i>Amendments have been finalised and the PAG has no further views on the topic.</i>	
1	Where the carve-out method is applied, some principles-based guidance is needed: <ul style="list-style-type: none"> - Risk assessment procedures including reasons for applying the method. - Testing the service organisation's monitoring controls over controls at the SSO. - Adequacy of reporting in the type 2 report on the SSO's control objectives and control activities. 	<p>We incorporated guidance for the user auditor and the service auditor.</p> <p>We described when a specialist organisation, performing activities on behalf of a service organisation, would be regarded as a 'subservice organisation' or a 'supplier'. [GS 007 para. 24]</p> <p>We highlighted to the user auditor that if the service organisation makes use of a subservice organisation, the user auditor's understanding of the services and controls at the service organisation includes an understanding of the services and controls at the subservice organisation. The user auditor has been referred to the service auditor's work, as described in the guide, as the likely source for obtaining this understanding. [GS 007 para. 25]</p>
2	Consider user auditor guidance on how to obtain sufficient appropriate audit evidence on controls at the SSO when the carve-out method is applicable and limited access is available to the SSO, for example, when there is no contractual relationship between the user entity and the SSO.	<p>We described to the user auditor that the service organisation may apply the inclusive method or the carve-out method in the description of its system of internal control (where subservice organisations are applicable). We highlighted to the user auditor that the service organisation remains responsible for the control activities related to the outsourced service regardless of the method applied and monitors the effective operation of controls over activities carried out on its behalf. [GS 007 para. 26-27]</p> <p>We described how the user auditor may obtain audit evidence of the operating effectiveness of controls at the subservice organisation. [GS 007 para. 28-30]</p> <p>We included sources of information to inform the service auditor's understanding of the activities performed by the subservice organisation. We highlighted that this understanding includes the service organisation's monitoring controls over subservice organisations. [GS 007 para. 85-86]</p> <p>We described that the service auditor's work to determine the fair presentation of the service organisation's description includes the description of the services performed by a subservice organisation and if the carve-out method has been applied, the reasons for applying the method and the adequacy of those reasons. [GS 007 para. 90]</p> <p>We included the types of monitoring controls that the service auditor could test when subservice organisations are applicable. The fact that professional judgement is required to determine which controls (or combination thereof) are important for a particular engagement has been highlighted. [GS 007 para. 106-107]</p>

Guidance topics		Description of amendments
#	Gap periods – Amendments have been finalised and the PAG has no further views on the topic.	
3	<p>Clarity is needed on the nature and extent of additional audit procedures when the time periods of the service organisation's type 2 report differs from the user entity's financial statements. A risk lens should be applied to the guidance based on the:</p> <ul style="list-style-type: none"> - duration of the gap period; - nature of the control and system changes; and - criticality of the service provider to the subject matter. <p>Regulatory requirements / expectations of the FMA and ASIC should be considered.</p>	<p>We incorporated guidance for the user auditor</p> <p>We described the process that the user auditor follows to determine whether the type 2 report provides sufficient appropriate audit evidence, if the period covered in the type 2 report does not align with the financial reporting period of the user entity. The information includes:</p> <ul style="list-style-type: none"> - How the user auditor determines whether changes to control activities have occurred in the gap period. [GS 007 para. 33-36] - That the user auditor obtains confirmation from the service organisation whether there are any changes to control activities. [GS 007 para. 37] - The user auditor's work effort when the gap period is up to 3 / 6 / 9 months, and when changes have been identified. [GS 007 para. 38-41] - The user auditor's options when sufficient evidence cannot be obtained from the operating effectiveness of controls at the service organisation. [GS 007 para. 42] <p>We highlighted to the service auditor that the guidance may equally apply when the service auditor uses a type 2 report on the services and related controls of a carved-out subservice organisation. [GS 007 para. 108]</p>
#	Nature and extent of controls testing (and related considerations) – The PAG discussed this topic in early October and considered a first draft of the amendments in early November. A final draft will be considered before the December break.	
4	<p>Clarity is needed on the nature and extent of testing:</p> <ul style="list-style-type: none"> - automated controls or IT dependent manual controls. - the completeness and accuracy of the population when control samples are selected from a population. - the completeness and accuracy of information to be used as audit evidence (particularly information produced by the entity) <p>Further clarity is needed on:</p> <ul style="list-style-type: none"> - in-scope IT systems underpinning reporting (and therefore subject to Appendix 3 Section G: IT controls) - the key reports subject to controls/substantive testing. 	<p>We incorporated guidance for the service auditor and highlighted to the user auditor to be aware of this information.</p> <p>We expanded the existing information related to the service auditor's understanding of the service organisation and obtaining evidence that the service organisation's description is fairly presented. [GS 007 para. 83-84 & 87-89]</p> <p>We expanded the existing information on the nature, timing and extent of testing the operating effectiveness of controls. Under the extent of testing, we:</p> <ul style="list-style-type: none"> - highlighted that the service auditor uses evidence related to the reporting period only (roll-forward procedures therefore does not seem to be permitted (<i>the point may need further discussion with the PAG</i>)) [GS 007 para. 94] - described sampling considerations and included a table of illustrative sample sizes for testing manual controls. The table includes the minimum sample sizes which would increase based on risk and each firm's methodology. We described the extent of testing automated controls. [GS 007 para. 92-98]
5	Guidance is needed on articulating the work performed by the service auditor and the results of that work, clearly and in sufficient detail. The guidance should include examples.	

Guidance topics		Description of amendments
6	Consider whether service auditors should provide clarity on the approach to determining sample sizes, provide sample sizes in reports and reference the frequency of testing for each control with the report. Some base line level of sampling might be included within guidance but how sample sizes should be determined is out of scope.	We described the requirement to test the relevance and reliability of information to be used as audit evidence. [GS 007 para. 102-105] We highlighted in the user auditor and service auditor sections that the service auditor describes the work performed in an appendix to the service auditor's assurance report and that the description includes work on design and implementation of controls, operating effectiveness of controls, and the fairness of the service organisation's description. [GS 007 para. 43-45 & 99]
7	Extent to which roll forward test procedures are performed over differing period ends, and whether and how this is disclosed in service auditor reports.	We included additional information on exceptions, modified opinions and not applicable control objectives and how this is described in the service auditor's work performed. [GS 007 para. 99 – 101 & Appendix [...]]
8	Use of emphasis of matter and other matter paragraphs in the service auditor's report when controls exist but were not required to operate within the period (e.g. controls over client acceptance where no new clients were accepted).	We included illustrative examples of the service auditor's description of work performed. The table is yet to be updated with management responses. [GS 007 Appendix 5] The guidance may also need to clarify which IT systems are in scope of the assurance engagement. [This information is yet to be developed.]
9	Clarify the additional information required to be included in the service auditor's report regarding findings and qualifications.	
#	Expectations on interaction between user auditor and service auditor <i>The PAG considered a first draft in early November. The PAG had no further views on the topic.</i>	
9	Expectations on interaction between the user auditor and the service auditor where the report will be received late in the audit of the user entity. For example: - Communication throughout to avoid surprises when final report is received. - Timing of the receipt of the controls report to allow sufficient time for the user entity auditor to use the evidence it contains prior to completion of the user entity's audit.	Due to the one-to-many relationship between the service auditor and user auditors, we inserted that the user auditor could agree expectations on the timing of receiving the service auditor's assurance report, with the user entity including the early communication of any significant exceptions identified during the assurance engagement. The user entity would in turn communicate expectations to the service organisation. [GS 007 para. 63-64]
#	Other information in service organisation reports – <i>The PAG discussed this topic in early November. This information is yet to be developed for the PAG's consideration before the December break.</i>	
10	The guidance may need to describe how the service auditor deals with other information included in the description. For example, it could include controls to address operational resilience (including business continuity plans and cyber-security) or reporting required by regulatory bodies.	
#	Emerging service providers – <i>The PAG will discuss this topic before the December break.</i>	
11	The investment management services industry has evolved, with new types of service providers operating beyond traditional custodians and fund administrators. Further consideration is needed to assess whether the guide should introduce a new service category for these emerging providers.	

NZAuASB Board meeting summary paper

Meeting date: 3 December 2025
Subject: **FMA Audit quality monitoring report**
Date: 21 November 2025
Prepared by: Thinus Peyper

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

Agenda item objectives

- To provide the Board with a summary of the FMA's recent Audit quality monitoring report.

Background

- In terms of the XRB Statement of Intent, we enable trust and confidence in the assurance system by setting high-quality standards that are internationally aligned and locally relevant. Our strategic priorities include ensuring that our standards remain fit for purpose and that we support the effective adoption and implementation of our standards.
- Considering regulatory findings reports is one way to assess whether the core objectives of principles-based requirements of the standards are working as intended (i.e., are fit for purpose) or whether they are difficult to apply and therefore require additional guidance (or other implementation support).
- We have considered the observations in the latest [Audit Quality Monitoring report – Trends in audit quality](#) (the Report) of the Financial Markets Authority (FMA), issued in November 2025 and provide a summary thereof below.

Key audit quality trends

Context

- The FMA review in numbers:

	2025					2024			
	Firm s	Licence d auditors	NZX listed issuers	FMC audit s	Climate statements	Firm s	Licence d auditors	NZX listed issuers	FMC audit s
Populatio n	12	130	202	1022	180*	12	133	201	1230
Sample	6	14	8	6	70	9	19	10	9

*Approximately at the time of the FMA's [report](#) on climate statements.

Summarised findings on audit files

- The audit files reviewed included a focus on bank audits.
- Nine of the 14 audit files reviewed were at least rated as 'compliant'.
- The number of high-level findings increased slightly compared to the previous year. There is a shift in the areas of high-level findings, with more findings in adequacy of financial statement presentation, related party transactions, substantive analytical procedures, and risk assessment procedures, while less findings related to revenue recognition.

9. High and medium level findings across audit files related to:

Findings	High		Medium	
	2025	2024	2025	2024
Accounting estimates, including FV measurement	3	3	-	3
Adequacy of financial statements presentation and disclosure	2	-	2	1
Fraud procedures	-	-	2	5
Going concern	-	-	2	1
Internal control testing	1	1	-	-
Related party transactions	1	-	-	-
Revenue recognition	1	3	1	2
Substantive analytical procedures	1	-	-	2
Use of experts/specialists	-	-	1	-
Risk assessment procedures	1	-	2	-
Audit sampling	-	-	-	4
Total	10	7	10	18

10. Further details of selected high level findings are summarised in the appendix.

Summarised findings on firms' system of quality management

Overall

11. No significant weaknesses were identified in the design of the firms' systems of quality management.

Areas requiring more work

12. Assessing and monitoring responses to quality risks require improvement in the following areas:

- Evidencing the operation of the controls that address identified risks.
- Monitoring and remediation processes to determine if controls operate effectively.
- Documenting the reliance on network requirements or services.

13. Further details on these areas are summarised in the appendix.

Summarised findings on sustainability assurance reports¹

Overall

14. Most of the assurance reports met the content requirements of NZ SAE 1². A list of areas that needed to be addressed is provided in the appendix.

Recommendations

15. We recommend that the Board NOTE the key audit quality trends. From the information, we have not identified core objectives or principles-based requirements of the standards that are no longer fit for purpose.
16. Given the focus on the implementation of the quality management standards, we will explore whether a workshop or further engagement to share learnings, experiences or challenges is warranted to support implementation.

Material presented

- Board meeting summary paper
- Appendix

¹ There is no licensing regime or proactive monitoring regime for mandatory assurance over climate statements. The FMA reviewed the first year of mandatory assurance as part of the [disclosure reviews of Climate Statements](#) by assessing the independent assurance reports.

² NZ SAE 1 *Assurance Engagements over Greenhouse Gas Emissions Disclosures*

Appendix: Additional information – FMA Audit quality monitoring report

Summarised findings on audit files

Related party transactions

1. The accuracy and completeness of disclosure of related parties and related party transactions in the financial statements. Examples included:
 - The auditor did not identify that disclosures of related party transactions which are required to be reported separately in the financial statement, have been netted off. The financial statements therefore did not provide insight into the two separate transactions.
 - There was a lack of documentation on how the auditor obtained evidence that the contractual terms of related party balances and transactions were all at arm's-length, as disclosed in the financial statements.

Substantive analytical procedures – reliability of underlying data

2. The report described instances where the reliability of data was not tested. Examples included:
 - The auditor relied on a system-generated report for the allocation of overhead costs to inventory balances. The auditor performed detailed testing on this allocation in a prior period. However, when performing the analysis for the current year, the auditor did not refer to the detailed testing performed in the prior period. Also, the auditor did not document how they assessed and concluded that no changes were made to the overhead allocation from the previous testing and that the allocation remained reliable.
 - This example relates to the reliability of data included in an actuary report. To perform a reasonableness assessment the auditor compared prior-year gross outstanding claims data to the reinsurance receivable balance and applied the same percentage to current-year gross outstanding claims. It was not documented how the auditor assessed the appropriateness of the assumption, either as part of look-back procedures or roll-forward documentation outlining how the percentage applied was tested in prior years. Additionally, there was no evidence to support that the auditor considered and concluded whether the procedure was sufficiently precise to identify a misstatement, especially as a minor change in the assumption percentage could result in material variance.

Management override of controls and risk of fraud (bank audit related)

3. It was not evident if the auditor specifically performed an assessment of the fraud risk factors relating to management incentives that are dependent on financial results.

Use of other auditors (bank audit related)

4. Reliance on the work of other auditors occur when the credit models are developed, maintained, and validated by the parent entity overseas. The results of these procedures are reported back to the New Zealand firm through clearance memorandums which often contain disclaimers that require further work by the New Zealand audit team. In two of the audit files reviewed, improvements were needed to demonstrate how the disclaimers were addressed.

Testing credit impairment models (bank audit related)

5. Where credit impairment provisions were below the audit materiality threshold, the audit file lacked documentation to support the auditor's assessment that there was no risk that these provisions could be understated by a material amount.

Summarised findings on firms' system of quality management

1. Assessing and monitoring responses to quality risks required improvements in the following areas:

Evidencing the operation of the controls that address identified risks

In terms of documenting the operation of controls, the extent of the work performed could not be fully understood in the following areas:

- The control owner relied on reports or other information that was not retained to evidence the effective operation of the control.
- The control owner/operator did not document the work to a sufficient standard to enable the monitoring team to establish if the control operated effectively. For example, the control owner did not document conclusions for some of the exceptions identified.
- Where the control owner relied on manually prepared reports, we did not see documentation by either the control owner or monitoring team on how they assessed the report was accurate and complete.

Monitoring and remediation processes to determine if controls operate effectively

The monitoring team is expected to consider both if a control is performed by an appropriate control owner, and if conclusions are supported with sufficient evidence. Instances were identified that undermine the effectiveness of monitoring:

- The monitoring team did not have access to all necessary information to assess if the control had operated effectively. For example, the monitoring team did not have access to individual partner risk ratings that comprise an important input into the control over the allocation of partners to appropriate engagements.
- It was noted that some underlying reports supporting certain controls contained variances that required responses, but we did not see any responses addressing the variances.
- In one instance we noted that a control was not operating as designed and that the firm relied on mitigating controls, but we did not see evidence that the monitoring team assessed if these mitigating controls were appropriate and effective.

Documenting the reliance on network requirements or services

Several of firms use network resources in their system of quality management. When the audit firm relies on resources of the wider network of firms; the local firm remains responsible for its system of quality management.

In two instances improvements were needed to demonstrate that the controls operated and monitoring performed by the network are effective. Sufficient evidence was not provided by the global or regional network to enable the local monitoring team to review the nature and extent of testing performed by the networks, to ensure these controls addressed the risks identified by the local firm and that testing was sufficient to support the firm's system of quality management.

Summarised findings on sustainability assurance

2. Assurance report content findings that needed to be addressed:

- Reference made to the incorrect standard.
- Insufficient referencing in the climate statements to the assured information (e.g., GHG Inventory Report), made it difficult for primary users to understand what information had been assured.
- Terminology used in assurance reports did not align with the standard.
- Incorrect use of an "emphasis of matter" paragraph.
- Insufficient independence disclosures in respect of climate-related advisory services.

NZAuASB Board meeting summary paper

Meeting date: 3 December 2025

Subject: **Technology update**

Date: 20 November 2025

Prepared by: Thinus Peyper

☐ **Action Required**

☒ **For Information Purposes Only**

Agenda item objectives

1. To update the Board on what we heard from monitoring and outreach activities:
 - IAASB technology quality management roundtable in Auckland
 - Discussions with firms on documentation

Background

2. In August we summarised for the Board the activities of the IAASB, IESBA, and other standard setters and regulators given rapid technological developments. We highlighted key messages from our discussions with audit firms and regulators as to what, if any, guidance is needed to support the implementation of XRB standards in New Zealand.
3. We did not identify an urgent need for guidance. We identified potential guidance topics which could be further explored, one of which related to the documentation of the use of technology, in light of recent guidance issued by the [FRC UK](#) and by the [AUASB](#). The Board discussion in October noted that we are in a discovery phase with a need to actively monitor emerging technologies¹ and have further discussions with stakeholders to inform priorities.
4. Since October, as part of our active monitoring, we:
 - (a) co-hosted an IAASB roundtable event to gather information on firms' quality management practices over using emerging technologies in audits and broader stakeholder expectations about the use of technology.
 - (b) had one-on-one discussions with audit firms to obtain a deeper understanding of how auditors document the use of emerging technologies in audit working papers.

Recommendation

5. We recommend that the Board NOTE the key messages from ongoing monitoring activities. We have not identified the need to prioritise local guidance at this stage. We will consider the IAASB update in December and continue our active monitoring to identify whether there are specific actions to prioritise locally.

Material presented

- Board meeting summary paper
- Appendices on key messages from the technology quality management roundtable, and discussions with firms on documentation

¹ When we refer to emerging technologies, we mean AI systems with internal workings that are complex, non-linear, and often opaque, non-deterministic, and adaptive. For example, Gen AI and Agentic AI (which combines Gen AI with other AI to achieve goals without continuous human intervention).

Appendix – Technology quality management roundtable

Introduction

The aim of the technology quality management workstream is to examine how the profession can harness technological innovation responsibly.

During the global roundtables, the IAASB sought to surface practical insights, real-world challenges, and diverse perspectives to guide them in determining whether additional support is needed and what that support could look like. The discussions are focused on emerging technologies because the IAASB is of the view that deterministic technological tools are well covered and well managed by audit firms.

On 13 November, the XRB and the IAASB co-hosted a roundtable discussion in Auckland. We've summarised the key takeaways under each of the discussion points below. The IAASB will consider the aggregate of all the roundtable discussions at its December meeting and discuss next steps.

Discussion points and key messages

How do audit firms currently use emerging technologies in audit engagements

We heard that emerging technologies are currently primarily used as an enabler or accelerator of productivity, rather than for the generation of audit evidence. Some practical examples include technology to summarise information, aid research, and facilitate workflow.

We understand that larger firms mostly use inhouse technology and smaller firms mostly use off-the-shelf products, given the amount of capital investment needed to develop their own tools.

We heard that emerging technologies are evolving rapidly and that the use of Agentic AI for analysis and generation of audit evidence is a possibility within the next 18 months.

How are quality management standards being applied and what best practices are emerging

We heard that some firms follow an end-to-end certification process at the global network level for developing, implementing and monitoring technological tools. Systems and organisation controls assurance reports (similar to engagements following ISAE (NZ) 3402 and SAE 3150²) are obtained at the global network level for off-the-shelf technological tools. The reports / certificates are shared with firms in different jurisdictions.

We understand that prior to implementation, a local onboarding process takes place. Technology champions are key to ensuring the effective use of tools.

We heard that the input data used is tested for accuracy and completeness, and outputs of the tool are challenged. When Copilot and ChatGPT are used all the outputs are fact checked.

Stakeholder expectations

Honesty, transparency and adding value

Given the range of stakeholders attending, we heard that entities value honesty and transparency about how and where technological tools are used in the audit. Audit firms disclose their use of technology in the terms and conditions section of audit engagement letters. There is a need for creating sufficient time to discuss the use of technology at board meetings, including why the tools are fit for purpose.

We heard there is an opportunity to explore the additional value that emerging technologies could add to the audit product, specifically Agentic AI in audit, and how it may enhance the sustainability of the audit profession. The value of human interaction with auditors should however not be downplayed.

² International Standard on Assurance Engagements (NZ) 3402 Assurance Reports on Controls at a Service Organisation and Standard on Assurance Engagements 3150 Assurance Engagements on Controls

Confidentiality of client data.

Confidentiality of client data is critical. Audit firms are closely managing confidentiality. Monitoring protocols are currently being enhanced to keep them fit for purpose. The use of external Copilot and ChatGPT (i.e. not using the firm's Copilot and ChatGPT account) are also expressly prohibited.

Exploring other technologies beyond Agentic AI

The audit profession should continue to explore what other emerging technologies are out there.

What role can international and jurisdictional standard setters play

We heard strong support for the IAASB and/or local standard setters (like the XRB) to develop non-authoritative materials. The IAASB is working together with IESBA given the interaction with ethical considerations. Guidance is deemed most appropriate because the quality management standards:

- Are not broken – the principles-based requirements are still relevant, but more specificity is needed to apply some of those requirements.
- Take time to approve, while guidance could be issued regularly and be more easily kept up to date.

Creating awareness and providing training is needed, with the help of professional bodies.

Agentic AI has the potential to significantly change professional services within the next five years. In this regard, there were questions as to whether changes are required to the audit evidence standard.

There may be a need to produce two streams of guidance, given that larger firms and smaller firms may face different issues. Next steps should consider:

- Where the priorities lie.
- What the IAASB should focus on, and what local standard setters should prioritise with recognition of the differing needs of small to large audit firms.
- Both risks and opportunities.
- That the guidance cannot be too specific, it will also not be static (i.e., there is a need to continue to look at what is valuable to add).

Suggestions for types of guidance included:

- Acknowledging how firms currently apply the quality management principles when using GenAI in audits (i.e. supervision and review of the output as if it was prepared by a junior auditor).
- Sharing good practices of large firms for the benefit of smaller to medium-sized firms.
- Applying the principles of the ISAs on specific examples of using Agentic AI tools in audits.

Appendix – Individual discussions with firms on documentation

Documentation of Gen AI used in an audit engagement

We understand that the use of GenAI is not specifically documented in audit working papers at this stage, given that currently these are used for enabling functions and the auditor remains responsible for the work performed. We heard that:

- GenAI is used to improve productivity, for example, to research credible information sources rather than manually searching the internet. Such use is not an ‘audit procedure’ which would normally require (nature, timing and extent) documentation in terms of ISA (NZ) 230³. Describing such use may also not be necessary for an experienced auditor to understand the work performed.
- GenAI is seen as the auditor’s assistant that must be supervised and whose work is reviewed in terms of ISA (NZ) 220⁴ principles.
- The output information generated by GenAI is not used without it being validated.

The above-mentioned views align with the following extracts in the FRC UK guidance:

- “...if the outputs of the tool are all checked back to the cited sources, it may well be appropriate to document less about the tool..., as the corroboration limits the relevance of the fact that an AI-enabled tool has been used.”
- “There may be no need to document the use of ... tools on the audit file, if it would not be required for an experienced auditor to understand...”

³ International Standard on Auditing (ISA) (NZ) *Audit Documentation*

⁴ ISA (NZ) 220 (Revised) *Quality Management for an Audit of Financial Statements*