

New Zealand Auditing and Assurance Standards Board (NZAuASB)**Minutes of the Virtual Meeting of the NZAuASB held at 9:00am on Wednesday, 9 April 2025**

Present: Marje Russ, Chair
John Kensington, Deputy Chair
Todd Beardsworth, Board Member
David Hay, Board Member
Richard Kirkland, Board Member
Doug Niven, Board Member
Vasana Vanpraseuth, Board Member

In attendance: Wendy Venter, Chief Executive (Agenda 2.4)
Misha Pieters, Director Audit and Assurance
Karen Tipper, Technical Director Assurance
Anna Herlender, Project Manager (Agenda 1-3, 5-6 and 11)
Lisa Thomas, Senior Project Manager (Agenda 1-3 and 11)
Bruce Mcniven, Project Manager (Agenda 5 and 6)
Sharon Walker, Senior Project Manager (Agenda 1-3 and 8)
Rajen Pillay, Senior Manager AUASB (Agenda 12)
Darby Healey, Observer
Mike Bradbury, Observer

NON-PUBLIC SESSION

1. PRIVATE SESSION

PUBLIC SESSION – AGENDA ITEM 2 - 12

2. BOARD MANAGEMENT**2.1 Action list**

The Board NOTED the actions arising from prior meetings.

The Board REQUESTED that the greenhouse gas (GHG) guidance be circulated out of session for information.

The Board received an UPDATE on ongoing with discussions with the FMA related to views expressed that public interest entity independence requirements be extended to all FMC reporting entities, not only those with higher levels of public accountability. The Board REQUESTED that an official FMA view is sought.

2.2 Chair's Report

The Board RECEIVED a verbal update from the NZAuASB Chair, including:

- In relation to the NZAuASB membership:
 - The Chair is not seeking reappointment when her term ends in June. The process is underway to appoint a new Chair.
 - David Hay is retiring and the June meeting will be his last meeting.
 - Darby Healey has been appointed from June for three years.

- John Kensington is stepping down as Deputy Chair and member of the NZAuASB. Mike Bradbury will be the Deputy Chair from June 2025.
 - Richard Kirkland has been reappointed for a further 2-year term.
- An update from the firm culture and governance roundtable attended by the chief executive and NZAuASB Chair in Melbourne. This was an information gathering forum. Key takeaways from the Chair were the considerations of the partnership model on culture and governance, and that the IESBA says it is committed to developing a new standard, while ensuring the requirements are scalable.

The Board discussion highlighted:

- The interaction of ISQM 1 and this project and the need for collaboration between the IAASB and IESBA. Greg Schollum is the IAASB representative working with the IESBA.
- Whether this project expanded to cover supreme audit institutions in the public sector or was limited to the private sector.

2.3 AUASB Update

The Board RECEIVED a verbal update on Australian developments, including:

- The current consultation underway by the AUASB proposing amendments to *ASSA 5000 General Requirements for Sustainability Assurance Engagements* and *ASA 102 Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements* to introduce transitional provisions for independence requirements for sustainability assurance engagements concerning the provision of certain non-assurance services and the use of external experts. Assurance practitioners have also expressed concerns at the implications of the long association provisions. The AUASB is also exploring matters related to the effective date of ISSA 5000. The APESB are also currently consulting on new ethics and independence standards for sustainability reporting and assurance.
- The AUASB intends to adopt the revised going concern standard subject to PIOC certification.
- The success of recent engagement with Mark Babaington from the FRC UK during his visit to Australia.

2.4 Chief Executive Update

The Board RECEIVED a verbal update from the Chief Executive, including:

- Attendance at the Finance and Expenditure Committee Meeting by Michele Embling, Wendy Venter and Amelia Sharman on the climate reporting disclosure regime.
- The progress to finalise the draft statement of intent (SOI) and the draft annual statement of performance expectations (SPE). These accountability documents will be discussed at the April XRB Board meeting, due to the Minister at the end of April. These will be shared, for discussion, at the NZAuASB June meeting.
- The appointment of new members to all three technical boards and XRAP. The NZAuASB Chair vacancy will be advertised soon.

3. NZAuASB WORKPLAN

The Board NOTED the supplementary environmental papers and DISCUSSED:

- Support for the prioritisation plan to June 2025, with discussion including:
 - Previous submissions by the XRB for the IAASB to update the review standard on interim financial statements resulted in the request from the IAASB for assistance on the project.
 - The timelines for the work on technology.
 - Concerns relating to the implications of standard setting and the sustainability of the assurance profession, and whether there is enough consideration of the costs and benefits of changes made.
- Support for the draft prioritisation plan for 2025/2026, noting:
 - Further discussion and approval of the plan will follow in June, together with the discussion on the SOI and SPE.
 - The priority of continuing to monitor the uptake of ISSA 5000 and implementation challenges, developments on competence requirements and the ongoing work between the International Accreditation Federation (IAF) and the IAASB and the IESBA.
 - Interest in the longer-term direction, under the 5-year SOI period, for the He Tauira framework and the implications for assurance.
- The agenda for the upcoming jurisdictional standards setters meeting in May, noting:
 - The importance of ongoing collaboration
 - The challenges for the firm culture and governance project. Recent academic studies indicate that employees of accounting firms have under developed ethical reasoning. The impact of the regulator on auditors' behaviour is a key factor. The audit mindset is based on recurring work, while other parts of the business may have a sell mindset. This may be heightened under the private equity model.
 - With respect to the modernisation of upcoming standards, support for the need to reflect changes for the modern world with emphasis that the disclosures are first required by the reporting entity to enable assurance.

4. CODE OF ETHICS FOR SUSTAINABILITY ASSURANCE (IESSA)

The Board CONFIRMED that the XRB should consult on the adoption of IESSA subject to appropriate scoping and due process. The importance of alignment to international and with Australia was highlighted.

The Board DISCUSSED potential compelling reason changes, including:

- Scope. The Board agreed to add a NZ paragraph signposting to the greenhouse gas assurance standard, where applicable. The Board agreed that clear communication relating to the applicability of the IESSA in New Zealand within the consultation document and in all communications will be critical. This should include messaging related to certification e.g., certification of green bonds. The Board encouraged staff to consider developing a decision tree, covering both mandatory and voluntary engagements as part of the communication plan.

- Retaining all of the ethical requirements in section 5300. This differs from the approach taken in extant PES 1¹, for example on tax services. The reason being that in Part 5, these ethical requirements are only applicable to sustainability assurance practitioners, whereas elsewhere they apply more broadly, to professional accountants, beyond the XRB's mandate.
- Non-assurance services relating to tax planning services. The Board agreed to add the same NZ paragraph to clarify the meaning of the "confident is likely to prevail" test, that was added when the XRB introduced the non-assurance services standard.
- The preference to address assurance fee disclosures at the XRB level rather than within the ethical standards for assurance practitioners. The Board discussed the interaction between these requirements and the NZ additions around relationships in the assurance practitioners report.
- Effective date and the implications to which reporting periods it applies. It was agreed that the staff will explore further issues with the AUASB.

The Board DISCUSSED the impact of IEssa on NZ SAE 1² and AGREED that no changes should be made to NZ SAE 1 at this stage.

5. ISSA 5000 GENERAL REQUIREMENTS FOR SUSTAINABILITY ASSURANCE

The Board CONFIRMED that the XRB should consult on the adoption of ISSA 5000. The Board DISCUSSED the following:

- Adding a scoping paragraph to refer to NZ SAE 1 for the mandatory assurance of GHG disclosures required by the FMC Act.
- That a clear communication strategy is required for the standard adoption clarifying that ISSA (NZ) 5000 is not mandatory for voluntary assurance.
- That key matters are not required to be added in New Zealand.
- To test with stakeholders whether a conditional requirement be added to request a statement from another practitioner to the existence of any relationship which the service auditor has in the entity.
- To test with stakeholders whether to require the following NZ paragraphs:
 - The assurance report shall include a statement as to the existence of any relationship with the entity or its subsidiaries. The XRB routinely adds this requirement in New Zealand due to the close relationships that are prevalent given the small size of New Zealand.
 - The lead assurance practitioner shall form a conclusion on compliance with independence requirements. The Board REQUESTED staff to confirm whether this is already covered in ISSA 5000.
- The application date should align with the international effective date with early adoption permitted but not required.

The Board AGREED that ISAE (NZ) 3410³ should not be withdrawn at this stage. This standard is broadly used for greenhouse gas assurance engagements and is topic specific.

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

² NZ SAE 1 Assurance Engagements over Greenhouse Gas Emissions

³ ISAE (NZ) 3410, Assurance Engagements on Greenhouse Gas Statements

The Board discussed that there may be overlap in requirements between ISSA 5000 and ISAE (NZ) 3410, however, ISAE (NZ) 3410 is not a standard that sits under the ISSA 5000 umbrella standard, given the architecture of the new international standards.

The Board DISCUSSED the following for NZ SAE 1:

- That the reference in NZ SAE 1 to ISAE (NZ) 3410 should not be replaced with ISSA (NZ) 5000.
- To consult on adding a third option to use ISSA (NZ) 5000 in NZ SAE 1 in addition to the existing options of ISAE (NZ) 3410 or ISO 14019:3-2019.
- To consult, in an exploratory way, on how practitioners are dealing with scope 3 GHG assurance and whether further changes are needed given the new information included in ISSA 5000 for example around one-to-many reports.

The Board DISCUSSED possible questions for the consultation document, including:

- How far progressed are firms in implementing ISSA 5000?
- Would you use ISSA 5000 for GHG assurance engagements from when it is applicable internationally?

In addition, the consultation paper should include clear communications:

- That there are no current plans to expand the mandatory assurance regime.
- Explain the drivers for when the XRB will make a decision on the temporary standard and the things we might consider to provide some clarity in an uncertain environment.

6. ISA (NZ) for LESS COMPLEX ENTITIES (LCE)

The Board NOTED the submissions received, in particular the feedback that there will be auditors who will use this standard if it is adopted, including the Office of the Auditor-General, and smaller practices who specialise in charities and audits of less complex entities. It was NOTED in Australia the opposite views were shared, i.e. audit firms were not supportive of adoption of this standard in Australia.

The Board AGREED to recommend to the XRB Board that the ISA (NZ) for LCE should be adopted in New Zealand, given the support for its adoption based on feedback received.

The Board REQUESTED that in documenting the benefits and costs, the risks around maintenance and education costs are clarified. The basis for conclusions should avoid messaging reduced audit costs, as this standard does not seek to reduce audit costs. An audit is an audit, this is not a lower quality audit nor a lower cost audit.

The Board CONFIRMED that ISA for LCE would be optional for use, and would apply to audits of entities that meet the applicability requirements set out in Part A of the standard.

The Board AGREED that staff should further consider respondents suggestions to enhance and clarify EEM and requirements in Part 11. The Board AGREED that Part 11 should be consistent with NZ AS 1 (Revised) i.e., that the audit report should refer to the entity's measurement bases or evaluation methods, and should retain requirements for the methods to be available to intended users. The Board AGREED with a respondent's suggestion to incorporate the requirement of obtaining a legal letter from in-house counsel, aligning with ISA (NZ) 501.

7. NARROW SCOPE USE OF EXPERTS EXPOSURE DRAFT

The Board DISCUSSED the IAASB's proposed narrow-scope amendments regarding using the work of an external expert and AGREED:

- With the proposed low priority outreach approach.
- To consider writing a submission to the IAASB based on any feedback received.

8. FRAUD

The Board NOTED the approval of ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* by the IAASB at its March meeting.

The Board DISCUSSED how the XRB's submission points were dealt with, and other changes made in finalising the standard. The Board AGREED that on balance the IAASB had been responsive to the XRB's submission points. The DISCUSSION highlighted that with respect to the auditor's understanding of instances of fraud or suspected fraud, "clearly inconsequential" has been introduced as a threshold. The Board DISCUSSED whether other terms were explored, such as, "clearly trivial" and "immaterial". The threshold "clearly inconsequential" was introduced in the response to concerns that the proposals were not scalable.

The Board AGREED in principle to adopt the revised standard in New Zealand pending certification by the Public Interest Oversight Board.

9. GHG ASSURANCE (MONITORING)

The Board NOTED the GHG snapshot of voluntary assurance for the first year of climate statements. The Board looks forward to the snapshot for mandatory assurance.

10. COLLECTIVE INVESTMENT VEHICLES CONSULTATION PAPER

The Board DISCUSSED:

- That the current environment should be mapped to understand the stakeholders and layout of the industry and who is impacted by what.
- That this project is important to New Zealand given the structure of investment schemes and the high use of outsourced resources by NZ based investment schemes.

The Board AGREED to submit to the IESBA. In relation to outreach, the discussion included:

- The need to engage the regulator who has already done work in this space.
- This may capture the role of the supervisor as they have influence over the scheme.
- Targeting fund managers, service organisations and auditors of investment schemes.

11. SERVICE PERFORMANCE INFORMATION

The Board received an update on the progress of the developing service performance information discussion document to seek views on reporting and assurance matters.

The Board DISCUSSED the developing draft guidance on audit evidence and provided the following FEEDBACK:

- Support for the fact pattern, but to make it clearer that the engagement with families is through attendance at events.
- Make the guidance more practical by linking to the fact pattern on what to do and how, particularly in the assessment of appropriate and meaningful and materiality.
- Think about the flow of the audit and be clear in the distinction between the process of obtaining an understanding of the entity and the evaluation of appropriate and meaningful.
- Provide more examples around the precision of evidence.

12. EG AU8 AUDIT IMPLICATIONS OF THE USE OF SERVICE ORGANISATIONS

The Board NOTED the progress of a joint project with the AUASB to update existing guidance. A project advisory group (PAG) has been established and has had its first meeting. The Board received an update from the PAG discussions. The Board NOTED the draft scope and issues identified for the project. These will be developed into a project plan for approval at the next AUASB meeting and for approval by circular resolution by the NZAuASB.

NON-PUBLIC SESSION

BOARD MANAGEMENT

Meeting close 5:00pm