

New Zealand Auditing and Assurance Standards Board

MEETING PACK

for

NZAuASB Board Meeting (PUBLIC)

Wednesday, 10 June 2026

9:45 am (NZST)

Held at:

Executive Boardroom, Precinct Flex

Level 10, 11 Britomart Place, Auckland 1010

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AGENDA

NZAUASB BOARD MEETING (PUBLIC)

Name:	New Zealand Auditing and Assurance Standards Board
Date:	Wednesday, 10 June 2026
Time:	9:45 am to 4:15 pm (NZST)
Location:	Executive Boardroom, Precinct Flex, Level 10, 11 Britomart Place, Auckland 1010 https://teams.microsoft.com/l/meetup-join/19%3ameeting_OTAO0NzcxMDktYzg4Mi00YzliLTgwNGEtZDE5NGE0ZmZINDQz%40thread.v2/0?context=%7b%22Tid%22%3a%2253996152-4561-4986-a4e9-e98f4cb07127%22%2c%22Oid%22%3a%22b97c12ab-c641-4058-991e-63d6af4c5103%22%7d
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, Catherine Thompson, Geoff Connor, Karen Tipper, Misha Pieters, Sharon Walker, Thinus Peyper, Wendy Venter

1. Opening Meeting (PRIVATE)
2. Standing Items (PRIVATE)
3. Board Management (PUBLIC)

3.1 Action list 9:45 am (2 min)

For Decision

Supporting Documents:

3.1.a	3.1 Action-list 06_2026.docx	8
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3.2 Chair report 9:47 am (13 min)

Graeme Pinfold

For Noting

Verbal

3.3 JSS report 10:00 am (5 min)

For Noting

3.4 SAC highlights

For Noting

SUPPLEMENTARY

3.5 AUASB Update

10:05 am (5 min)

Doug Niven

For Noting

Verbal

4. NZAuASB work plan (PUBLIC)

4.1 Summary paper

10:10 am (5 min)

For Noting

Supporting Documents:

4.1.a	4.1 NZAuASB-work-plan 06_2026 - BMSP.docx	9
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4.2 2025/26 work plan update

10:15 am (5 min)

For Noting

Supporting Documents:

4.2.a	4.2 2025_2026 work-plan - update.pdf	12
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4.3 2026/27 work plan

10:20 am (5 min)

For Noting

SUPPLEMENTARY

4.4 12 month rolling NZAuASB meeting plan

10:25 am (3 min)

For Noting

SUPPLEMENTARY

4.5 12 month consultation plan

10:28 am (2 min)

For Noting

SUPPLEMENTARY

5. Board Discussion (PRIVATE)

5.1 board members only

10:30 am (45 min)

6. Less complex entities (PUBLIC)

6.1 Summary paper

11:15 am (45 min)

For Discussion

Supporting Documents:

6.1.a	6.1 ISA-for-LCE 06_2026 - BMSP.docx	14
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7. Post implementation review ISA (NZ) 540 (PUBLIC)

7.1 Summary paper 12:00 pm (15 min)

For Noting

Supporting Documents:

7.1.a	7.1 PIR-ISA-540-(Revised) - BMSP.docx	20
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7.2 Response 12:15 pm (30 min)

For Decision

Supporting Documents:

7.2.a	7.2 IAASB-PIR-ISA-540 - Draft XRB Response.docx	22
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8. Sustainability assurance

8.1 Summary paper 12:45 pm (15 min)

For Noting

Supporting Documents:

8.1.a	8.1 Sustainability-Assurance - BMSP.docx	46
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8.2 Illustrative assurance report 1:00 pm (15 min)

For Discussion

Supporting Documents:

8.2.a	8.2 Illustrative-assurance-report.docx	51
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8.3 LUNCH 1:15 pm (30 min)

9. PIR Non-compliance with laws and regulations (PUBLIC)

9.1 Summary paper 1:45 pm (10 min)

For Noting

Supporting Documents:

9.1.a	9.1 NOCLAR-PIR - BMSP.docx	56
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9.2 Response 1:55 pm (10 min)

For Decision

Supporting Documents:

9.2.a	9.2 NOCLAR-PIR-Survey - NZAuASB Draft Response.docx	58
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9.3 Other questions in the survey 2:05 pm (10 min)

For Noting

SUPPLEMENTARY

10. PIR restructured Code (PUBLIC)

10.1 Summary paper 2:15 pm (15 min)

For Noting

Supporting Documents:

10.1.a	10.1 PIR-Restructured-Code - BMSP.docx	68
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10.2 Response 2:30 pm (15 min)

For Decision

Supporting Documents:

10.2.a	10.2 Restructured-Code-PIR-Survey - NZAuASB Draft Response.docx	70
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11. EG Au8 and guidance on investments in managed investment schemes (PUBLIC)

11.1 Summary paper 2:45 pm (10 min)

For Discussion

Supporting Documents:

11.1.a	11.1 EG Au8 - BMSP.docx	86
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11.2 Draft GS 007 (mirrors EG Au8) 2:55 pm (3 min)

For Noting

SUPPLEMENTARY

11.3 Summary of changes 2:58 pm (15 min)

For Noting

Supporting Documents:

11.3.a	11.3 Summary of changes - draft revised GS 007.pdf	90
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11.4 Approved joint project plan (Jun '25) 3:13 pm (2 min)

For Noting

SUPPLEMENTARY

11.5 Afternoon tea 3:15 pm (15 min)

12. Interim review engagements (PUBLIC)

12.1 Summary paper 3:30 pm (5 min)

For Noting

Supporting Documents:

12.1.a 12.1 Interim-reviews_06_2026 - BMSP.docx 94

12.2 Issues paper 3:35 pm (15 min)

For Discussion

Supporting Documents:

12.2.a 12.2 Interim-reviews_06_2026 - Issues paper.docx 96

12.3 IAASB exposure draft 3:50 pm (5 min)

For Noting

SUPPLEMENTARY

12.4 IAASB explanatory memorandum 3:55 pm (5 min)

For Noting

SUPPLEMENTARY

13. EG Au1A (PUBLIC)

13.1 Summary paper 4:00 pm (5 min)

For Noting

Supporting Documents:

13.1.a 13.1 EG Au1A 06_2026 - BMSP.docx 102

13.2 Updated EG Au1A 4:05 pm (10 min)

For Decision

Supporting Documents:

13.2.a 13.2 EG Au1A-explanatory-guide-with-track-changes_2026.pdf 103

14. Board Management (PRIVATE)

14.1 Board Members only 4:15 pm (30 min)

15. Close meeting

15.1 Close the meeting 4:45 pm

For Noting

Next meeting: NZAuASB Board Meeting - 5 Aug 2026, 8:45 am

NZAuASB Action list

Meeting Arose	Board Action	Target Meeting	Status
Dec 2025	Gather more information and confirm next steps on impact of use of technology	June 2026	To update website with relevant guidance.
Oct 2025 Feb 2026	To undertake further testing of staff guidance on going concern. Mike and Darby to undertake a fatal flaw review of guidance before issued	April 2026	Guidance issued in May 2026
Feb 2026	Development of principles-based framework for process to develop staff guidance	June 2026	Cross functional project underway.
April 2026	Approval of final response to IAASB/IESBA strategy and work plan survey delegated to the Chair	June 2026	Final response included in agenda papers
April 2026	Approval of final NZ wrap around consultation document delegated to Mike Bradbury	June 2026	Consultation open on the XRB website

NZAuASB Board meeting summary paper

Meeting date: 10 June 2026

Subject: **Assurance work programme update for 2025/26 and work plan for 2026/27**

Date: 26 May 2026

Prepared by: Misha Pieters

Action Required

For Information Purposes Only

Agenda item objectives

1. The Board is asked to:
 - (a) NOTE progress against the service performance expectations measures for the financial year ended 30 June 2026.
 - (b) RECOMMEND the assurance work plan for 2026/27 to the XRB Board for approval.
 - (c) NOTE the forward agenda and consultation plan.

Matters to consider

Assurance portfolio 2025/26 update

2. Attachment 1 provides an overview of delivery against the 2025/26 work plan, distinguishing between completed actions and matters that remain in progress.
3. Overall, delivery remains well aligned with the 2025/26 service performance expectations measures. The small number of open items reflects timing rather than a change in strategic direction.
4. The main items carrying forward into 2026/27 are:
 - (a) Revision of EG Au8, which remains an active priority and is scheduled for Board discussion in June and approval in August 2026.
 - (b) Materiality guidance for sustainability assurance, which is also scheduled for Board discussion in June.
 - (c) Interpretation standard, where policy and drafting dependencies mean recommendations to the Board are now expected in August.
 - (d) Update of standard-setting policies, which continues as part of broader cross-functional work arising from the Regulatory Standards Act.
5. Performance against the 2025/26 service performance expectations measures is summarised below.

Performance measure	Performance target	Status
Issue relevant international consultation documents and	Timing: All consultations and exposure drafts are issued within 3 weeks of international release.	Achieved

exposure drafts on a timely basis.	Quality: 100% compliance with due process.	Achieved
Issue relevant international auditing and assurance standards in line with the XRB's convergence and harmonisation policy.	Timing: Issue a minimum of 6 to 12 months before the international effective date, depending on significance. Quality: 100% compliance with due process.	Achieved Achieved
Support adoption and implementation of key auditing and assurance standards through targeted outreach and implementation support.	Quantity: Number of adoption and implementation support activities and publications: 15. Quality: 75% of survey respondents are satisfied with the quality of the XRB's audit and assurance-related consultation outreach, adoption and implementation support.	Achieved Survey being developed. The NZAuASB will receive an update at the next meeting.

Work plan July 2026 to June 2027

15. The proposed 2026/27 assurance work plan reflects the Board's earlier prioritisation discussions, the XRB Board's wider programme context, and the finalised expectations and performance settings for the year ahead.
16. This paper seeks the Board's endorsement of the 2026/27 assurance work plan ahead of XRB Board approval and publication.

Key changes since April 2026

17. Since April, the plan has been sharpened to focus on assurance-specific priorities. Cross-functional matters remain important but are addressed through broader organisational planning rather than as standalone assurance actions.

Reminder of key priorities

18. Under the strategic priority of "fit for purpose", the 2026/27 focus is on ensuring assurance standards remain responsive, proportionate, and informed by emerging developments.
 - (a) Improving understanding of user needs, benefits, and costs so that future standard-setting and consultation activity is better targeted and evidence-based.
 - (b) Responding to the strategic implications of technology, including through international engagement, domestic outreach, and consideration of where future guidance or thought leadership may be needed.
 - (c) Supporting the next phase of international post-implementation review activity, which will inform how recently revised standards are operating in practice and where further refinement may be warranted.
19. Under the strategic priority of "supporting adoption and implementation", the focus is on areas where change is significant, stakeholder need is highest, or implementation risk is most acute.
 - (a) ISA (NZ) 240, *The Auditor's Responsibilities Relating to Fraud in the Audit of Financial Statements*
 - (b) ISA (NZ) 570, *Going Concern*
 - (c) ISSA (NZ) 5000, *General Requirements for Sustainability Assurance Engagements*

- (d) International Ethics Standards for Sustainability Assurance, including International Independence Standards (New Zealand), within PES 1
- (e) ISA (NZ) for Less Complex Entities

20. In addition, the work plan maintains capacity to respond to the international standard-setting agenda and to ensure New Zealand remains aligned with key developments.

International consultations and exposure drafts:

- 21. The international agenda is expected to include major consultations from the IAASB with a particular focus on audit evidence, risk response and modernising standards given emerging technology, and consulting on the maintenance of less complex entities, and future strategic direction. The IESBA focus will be on post implementation reviews.
- 22. We are considering targeted field testing of proposals in the upcoming audit evidence and risk response exposure drafts to support evidence-based feedback for the XRB's response. The Canadian standard setter has an established approach to field testing and has expressed interest in collaborating with us and other JSS members. We seek the Board's view on whether this approach would add value and be practical to implement in New Zealand. Board members from firms are invited to discuss potential interest in participating with their firms.

Issue standards:

- 23. Standard issuance in 2026/27 is expected to be limited. The main area to monitor is ISRE (NZ) 2410, while no IESBA standards are currently expected before June 2027.

Support adoption and implementation:

- 24. Engagement and implementation support will be targeted to the standards and consultation topics where stakeholder need, system impact, and implementation risk are greatest.

Make submissions:

- 25. Submissions will continue to be used to influence international standard-setting in areas of strategic importance to New Zealand.

Recommendations

- 26. The Board NOTE the 2025/26 assurance work programme update, RECOMMEND the 2026/27 assurance work plan to the XRB Board for approval, and NOTE the forward agenda and consultation plan.

Material presented

- Assurance portfolio 2025/26 update
- Assurance portfolio work plan for 2026/27 (recommendation to XRB Board)
- Forward agenda (for noting)
- Consultation plan (for noting)

2025/2026 work plan progress update

Completed							
Origin	Name	Type	Next (SPE) deliverable	Target delivery date - End	Owner	SOI Category	Planned action for 2025/26
Domestic	ISA (NZ) for LCE	Audit	Support - engage*	30/06/2026	Bruce Mcniven	Supporting adoption & implementation	Walkthrough videos 1, 2 and 3 and deep dive done. Supplemental guidance done. Illustrative audit reports published. Website updated for auditors responsibilities.
	Technology	Audit	Support - engage*	13/03/2026	Thinus Peyper	Fit for purpose	Hosted roundtable in November 2025. Monitoring international developments. Next steps for 2026/27 work plan.
	Impact of audit reforms / inspection findings on XRB standards	Audit	Support - engage*	10/06/2026	Thinus Peyper	Fit for purpose	Monitor audit reform in UK and Aus. Considered inspection findings. FMA annual report was issued in November.
	Modified assurance reports	Audit			Bruce Mcniven		Discussed at October board meeting. Next check in next work plan.
	Public Sector Performance Reporting	Audit			Thinus Peyper	PBE performance reporting	Contributed to XRB submission on assurance related matters. Final report expected before end of June.
	Audit and review of service performance standards	Non-financial	Support - publish*	19/03/2026	Lisa Thomas	Supporting adoption & implementation	Audit evidence staff guidance published in Feb 2026. Presentation at Audit Assistant Conference in March 2026. Accounting guidance also issued in Feb 2026.
	GHG Snapshot	Non-financial	Support - publish*	5/08/2026	Anna Herlender	Supporting adoption & implementation	Completed September and December year end snapshot.
ISO developments	Non-financial		1/04/2026	Karen Tipper	International Influence	New ISO standard issued Feb 2026. ISO 14064-1 and GHG Protocol co-designing and co-badging new measurement standard. Continue to monitor uptake of ISO sustainability assurance in 2026/27 work plan.	
IAASB	Narrow scope amendments use of experts	Audit		9/04/2026	Anna Herlender	Fit for purpose	Amendments approved at Feb 2026 meeting. Reissued other assurance standards in April 2026.
	Issue ISSA (NZ) 5000, General Requirements for sustainability Assurance	Audit	Support - publish*	12/03/2026	Karen Tipper	Fit for purpose	Complete. Standard issued in March 2026.
	IAASB Strategy and work plan 2028-2031	Audit	Submit	15/05/2026	Karen Tipper	Fit for purpose	Survey response sent before 15 May.
	ISRE 2410 Interim Review Engagements	Audit	Issue consul. or ED*	6/05/2026	Sharon Walker	Fit for purpose	XRB staff support project. IAASB approved ED in March 2026. Issued ED 6 May 2026. Published NZ consultation document in May 2026.
	Going Concern revised standard	Audit	Support - publish*		Sharon Walker	Fit for purpose	Standard issued in December 2025, applicable for periods beginning on or after December 2026. Guidance published.
	Fraud revised standard	Audit	Support - engage*		Sharon Walker	Fit for purpose	Standard issued in December 2025, applicable for periods beginning on or after December 2026. Guidance published.
Public Interest Entity track 2	Audit			Anna Herlender	Fit for purpose	Standards issued in February and April 2026.	
IESBA	Issue Revisions to the Code from using the work of an external expert	Ethics	Issue Standard*	12/03/2026	Karen Tipper	Fit for purpose	Standard issued in March 2026 - included in new PES 1.
	Issue the IESSA (NZ) - (Part 5 of PES1)	Ethics	Support - publish*	12/03/2026	Karen Tipper	Fit for purpose	Standard issued in March 2026 - included in new PES 1.
	IESBA Strategy and Work plan 2028-2031	Ethics	Submit	15/05/2026	Karen Tipper	Fit for purpose	Survey response sent before 15 May. Consultation and response to survey included in FY26/27 workplan.
	Collective investment vehicles	Ethics			Karen Tipper	Fit for purpose	IESBA has agreed to develop non-authoritative material. XRB to monitor and determine what NZ overlay may be needed in due course. Moved to 2026/27 work plan.
	Firm culture and governance	Ethics			Lisa Thomas	Fit for purpose	IESBA issued viewpoints and expect to discuss next steps at its June 2026 meeting. Moved to 2026/27 work plan.
Profession agnostic independence standards for sustainability assurance not in scope of Part 5	Ethics			Anna Herlender	Integrated Reporting	Submitted Request for information in Feb 2026. Moved to 2026/27 work plan as we monitor IESBA project.	

Outstanding							
Origin	Name	Type	Next (SPE) deliverable	Target delivery date	Owner	SOI Category	Planned action for 2025/26
Domestic	Update EGAu1 A Framework for Assurance Engagements	Audit	Board Meeting*	10/06/2026	Bruce Mcniven	Fit for purpose	Framework updated in line with IAASB assurance framework. For approval at June meeting.
	Update EG AU8 in conjunction with AUASB	Audit	Support - publish*	30/04/2026	Thinus Peyper	Fit for purpose	Delayed. Update provided in April as to the reasons for delay. For discussion at June meeting.
	Interpretation Standard EGAu4	Audit	Issue Standard*, Board Meeting*	z	Sharon Walker	Fit for purpose	Include new and revised definitions in Explanatory Guide Au4 Glossary of Terms and consider issuing as secondary legislation. Delayed as we await drafting advice.
	Monitor and implementation support for GHG assurance	Non-financial	Support - publish*	30/06/2027	Karen Tipper	Supporting adoption & implementation	Delayed. Draft illustrative assurance report to NZAuASB June meeting.
	Engage on Audits of Māori Entities	Non-financial		30/06/2027	Karen Tipper	Integrated Reporting	Continue to meet with OAG to learn from their active project, and respond if need identified.
	Consider Assurance related to He Taura	Non-financial			Karen Tipper	Integrated Reporting	He Taura » XRB No planned output for this reporting period.
	Update standard setting policies based on developments for climate assurance	Non-financial	Board Meeting*	10/06/2026	Bruce Mcniven	Org Health & Capability	Delayed. To work across the XRB teams to update our policies in a consistent way but that is appropriate for each team.
IAASB	Post implementation review of ISA 540	Audit	Submit	15/06/2026	Karen Tipper	Fit for purpose	Stakeholders notified 19 Feb 2026. Survey response due 15 June 2026.
IESBA	Post implementation review of restructured code	Ethics	Submit	22/04/2026	Anna Herlender	Fit for purpose	IESBA issued survey 2nd April and stakeholders notified on 9 April, Response due in July 2026.
	Post implementation review of non-compliance with laws and regulations (NOCLAR)	Ethics	Submit	22/04/2026	Anna Herlender	Fit for purpose	IESBA issued survey 2nd April and stakeholders notified on 9 April, response due in July 2026.

NZAuASB Board meeting summary paper

To: NZAuASB
Meeting date: 10 June 2026
Subject: ISA (NZ) for LCE and auditors' reliance on controls reports
Date: 25 May 2026
Prepared by: Bruce Mcniven and Thinus Peyper

Action Required

For Information Purposes Only

Agenda item objectives

1. The objectives of this agenda item are for the Board to:
 - (a) CONSIDER the concerns raised that auditors of less complex entities may be unnecessarily precluded from using the International Standard on Auditing (New Zealand) for Audits of Financial Statements of Less Complex Entities (**ISA (NZ) for LCE**) when they rely on controls reports¹ as audit evidence.
 - (b) APPROVE a project plan to develop and consult on New Zealand amendments to the ISA (NZ) for LCE.

Recommendation

2. We recommend that the Board APPROVE the development of an exposure draft to consult on:
 - New Zealand-specific amendments related to using controls reports as audit evidence in the ISA (NZ) for LCE.
 - A proposed application date of accounting periods beginning on or after 1 March 2026.

Issue identified

3. The ISA (NZ) for LCE does not permit auditors to rely on type 1 or type 2 controls reports as audit evidence. This has created the perception that the qualitative characteristics for using the ISA (NZ) for LCE are too restrictive for New Zealand, raising concerns that these settings may limit the adoption of the standard by audit firms.
4. The ISA (NZ) for LCE does not include the relevant requirements from ISA (NZ) 402² because it was not designed for circumstances in which auditors rely on controls reports as audit evidence.

¹ System Organisation Controls type 1, or type 2 reports prepared by a service organisation and assured by a service auditor in accordance with ISAE (NZ) 3402, *Assurance Reports on Controls at a Service Organisation*

² ISA (NZ) 402, *Audit Considerations Relating to an Entity Using a Service Organisation*

Background

5. The [June 2023 IAASB meeting](#) minutes state that “the Board agreed that the procedures related to the auditor’s use of a report on the description, design, or operating effectiveness of controls (i.e., Type 1 or Type 2 reports) should not be included in the proposed ISA for LCE. The Board agreed that many LCEs utilize services provided by service organisations, and such reports may be used to support a general understanding of an entity, however the reliance on them as audit evidence (e.g., for the operating effectiveness of controls) is not typical for audits of LCEs.”
6. The XRB has issued the ISA (NZ) for LCE and has undertaken various activities to promote adoption and implementation.
7. As part of our consultations prior to issuing the ISA (NZ) for LCE, we asked stakeholders about the restrictions on using the standard when relying on controls reports as audit evidence. The feedback we received did not identify the auditor’s inability to rely on controls reports as audit evidence, as a significant barrier to adopting the standard. Only one submitter raised a related concern, namely that auditors include a type 1 report in their audit documentation describing controls over the accounting software platforms commonly used by LCEs.
8. Targeted outreach with auditors also indicated limited concern at that time. In a virtual feedback forum of practitioners, most of the respondents (5 out of 8) indicated that the inability to rely on controls reports as audit evidence would not affect their decision to adopt the standard. More specifically, none of the submitters or outreach participants highlighted concerns about the inability to use controls reports when auditing entities that hold managed investments.
9. Accordingly, this matter was not identified as a pervasive or systemic concern through our consultation process. Rather it has emerged from more recent engagement undertaken to support adoption and implementation.

Recent engagement raised concerns

10. At recent outreach activities, including discussions with auditors of charities, Chartered Accountants Australia and New Zealand (**CA ANZ**) representatives, and attendees at the Audit Assistant Conference (5-6 March 2026), auditors raised concerns that they would not be able to apply the ISA (NZ) for LCE to audits of entities that hold managed investments (e.g., an investment portfolio managed by an investment manager). This is because auditors often rely on controls reports as part of their audit evidence related to the existence and valuation of managed investments.
11. Smaller practices said this issue is particularly relevant in the charity sector, where many entities hold significant managed investments. In their view, those entities and arrangements are not themselves complex, particularly where investments are held with well-known, reputable investment managers, and should not be excluded from the intended scope of ISA (NZ) for LCE.

What does the ISA (NZ) for LCE say?

12. The auditor is permitted to apply the ISA (NZ) for LCE when auditing entities that use service organisations. The standard includes requirements for understanding services provided by service organisations (paragraph [6.3.11](#)).
13. The ISA (NZ) for LCE explicitly states that the standard does not include requirements addressing circumstances where the auditor intends to rely on a report provided by a service auditor of a service organisation either as:

- (a) audit evidence to support the auditor's understanding about the design and implementation of controls at the service organisation (i.e., a type 1 or type 2 report); or
- (b) audit evidence that controls at the service organisation are operating effectively (i.e., a type 2 report);

as this would ordinarily not be applicable to an audit of an LCE (ref. EEM below para [A.2.](#)).

14. When the entity is using the services of a service organisation, paragraph [7.4.28](#) of the ISA (NZ) for LCE requires the auditor to:
 - (a) Determine whether sufficient appropriate audit evidence concerning the relevant financial statement assertions is available at the entity; and, if not,
 - (b) Perform further audit procedures to obtain sufficient appropriate audit evidence.
15. The EEM below paragraph [7.4.28](#) suggests that the auditor may perform procedures such as:
 - (a) inspecting records and documents held by the entity being audited (which is unlikely when the investment manager autonomously manages the transactions in the investment portfolio),
 - (b) inspecting records and documents held by the service organisation (which auditors we spoke to said is rarely possible),
 - (c) obtaining confirmations of balances and transactions from the service organisation in instances where the user entity maintains its own independent records of balances and transactions (which again is unlikely when the investment manager autonomously manages transactions in the investment portfolio).
16. Accordingly, in these circumstances the further audit procedures contemplated by paragraph [7.4.28.\(b\)](#) and the related EEM may not be practicable for the auditor to obtain audit evidence over the existence and valuation of managed investments. Given that auditors would ordinarily use controls reports as part of their audit approach, this may create a barrier to using the ISA (NZ) for LCE.

Matters to consider

17. We explored whether we could develop guidance or whether standard setting is needed.
18. Guidance was considered unsuitable because the issue is not merely one of interpretation or implementation support. The ISA (NZ) for LCE was intentionally drafted without requirements that would allow the auditor to rely on a type 1 or type 2 report as audit evidence about the design, implementation or operating effectiveness of controls at a service organisation. As a result, issuing guidance alone would not resolve the concerns raised.
19. We consider that the concerns raised are best addressed through targeted standard-setting so that the standard includes necessary material to enable auditors of LCEs to rely on controls reports, if they determine that reliance is needed for the audit of an LCE.
20. This would require NZ additions to the international approach and, in line with due process considerations, would need to meet the compelling reasons test as laid out in the [NZAuASB's policy and process for international conformance and harmonisation](#) (harmonisation policy). XRB representatives highlighted this issue under consideration at the April IAASB Jurisdictional Standard Setters meeting, and IAASB staff are interested to understand what the XRB may do in response. It is therefore for the NZAuASB to decide whether to amend the international standard with New Zealand changes in response to this concern, in line with the compelling reasons test.

21. We have considered the steps in the harmonisation policy for the compelling reasons in making New Zealand-specific changes to an international standard.
- (a) We do not consider the proposed narrow-scope additions are required to address a national legal or regulatory requirement.
 - (b) We do not consider the amendments would be lesser than, or conflict with, the international standard. Rather, they would add targeted requirements for a limited circumstance that the international standard does not currently address because the IAASB considered that reliance on controls reports is not typical in audits of LCEs.
 - (c) We have considered whether there is a compelling New Zealand public interest reason for modifying the international standard, discussed further below. Our outreach indicates that, in New Zealand, reliance on type 1 or type 2 reports is a typical feature of some LCE audits, particularly where entities hold managed investments. In those circumstances, the international standard does not fully reflect practices and circumstances that are appropriate in the New Zealand public interest.
22. We consider the following public interest characteristics, set out in the harmonisation policy, are most relevant:
- (a) *Appropriate scope to address key issues, and to specify to whom the standard applies.* The proposed amendments are narrow in scope and targeted to a specific circumstance, namely where auditors of LCEs rely on controls reports as audit evidence. They would apply only when the auditor chooses to rely on those reports. This supports a proportionate response to the issue identified.
 - (b) *Timeliness, without sacrificing quality.* The issue has emerged through implementation and recent outreach and is affecting current decisions about adoption and use of the standard. A narrow-scope amendment would allow the NZAuASB to respond in a timely and agile manner while still following due process through consultation on an exposure draft and targeted amendments designed to maintain audit quality.
 - (c) *Implementability and ability to be consistently applied.* Expressly addressing the use of controls reports in the standard would provide a clear basis for auditors to obtain and evaluate audit evidence in circumstances that arise in practice in New Zealand. This would support more consistent application rather than leaving the issue to guidance or workaround approaches. The wording would be based on ISA (NZ) 402 and would therefore be consistent with current practice.
23. Given the above, we consider that the compelling reasons test is met.
24. **Does the Board agree that there are compelling reasons to make changes to the ISA (NZ) for LCE?**

How changes based on compelling reasons may be developed

25. If the Board agrees that changes should be made to the ISA (NZ) for LCE, staff will prepare a consultation document and an exposure draft. This will be based on the drafting principles of the ISA for LCE, summarised in the [June 2024 supplementary papers](#), page 20, and taking into account the latest CUSP [drafting principles and guidelines](#).
26. An approach to developing the exposure draft will be to:
- (a) consider the requirements of ISA (NZ) 402 to determine which requirements are relevant for the circumstances of New Zealand LCEs;
 - (b) where relevant, consider how to make requirements proportionate for LCEs;
 - (c) determine what application material to include as EEM; and

- (d) consider what other changes need to be made to the current standard, e.g., removing the current restrictions on relying on controls reports as audit evidence.
27. We have already started working on our considerations and drafting requirements. We have not identified any significant issues that would prevent us from preparing amendments to the ISA (NZ) for LCE.
28. **Does the Board have any views on the approach to developing an exposure draft?**

Proposed next steps

29. Given the prevalence of LCEs holding managed investments in New Zealand and the compelling reasons for change, we consider a New Zealand-specific response appropriate.
30. There is support in the market from auditors, the audit regulator, and a widely used audit methodology software provider for us to address this issue.
31. At the same time, a responsive approach should still follow robust due process. Because the issue requires urgent targeted amendments to the standard, it is appropriate to consult in an agile and responsive manner. Therefore, we propose a shorter consultation period of 60 days, allowed under our due process.
32. We plan to engage with stakeholders from July 2026, on the IAASB's maintenance of the ISA for LCE exposure draft. As we will be consulting substantially with the same stakeholder group, we propose aligning consultation with the domestic consultation on the IAASB's first revision of the ISA for LCE (see timeline below).
33. **Does the Board consider a shorter consultation period is warranted to address the New Zealand issue?**
34. If the Board agrees with our recommendation, staff plan to prepare an exposure draft (**ED**) and consultation paper with the following proposed timeline:

10 June meeting	Agree the standard-setting approach
5 August	Approve consultation on the narrow-scope New Zealand amendments and exposure draft
7 August – 5 October 60-day consultation period	Consultation and exposure draft period to overlap with consultation on maintenance (see First revision of the ISA for LCE below)
14 October	Initial discussion
3 December	Discuss feedback and proposed adjustments
February 2027	Approve standard

39. We propose an application date for accounting periods beginning on or after 1 March 2026. We selected 1 March 2026 because it is the start of an accounting period that is still open at the time the amending standard is expected to be issued.
40. Although the IAASB's stability period means the international ISA for LCE will not be revised for three years, until after 15 December 2028, an earlier application date would address this adoption barrier sooner and reduce the risk that firms delay or forgo adoption altogether.
41. It would also support firms that are currently preparing their audit methodologies and tools for ISA (NZ) for LCE engagements, allowing the use of controls reports to be built into their methodologies now rather than requiring later rework. In that sense, the earlier date would

improve implementability and encourage more consistent application, while early adoption would preserve flexibility for firms that are ready to apply the amendments sooner.

42. **Does the Board agree with an application date for accounting periods beginning on or after 1 March 2026?**

International project for the first revision of the ISA for LCE

43. The IAASB is undertaking a [maintenance project to revise the ISA for LCE](#), as a result of the following projects:

- ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*
- ISA 570 (Revised 2024), *Going Concern*
- The narrow scope amendments to the ISAs as a result of the revisions to the definitions of listed entity and public interest entity (PIE) in the IESBA Code; and
- The narrow scope amendments to IAASB Standards arising from the IESBA's using the work of an external expert project.

44. Our proposed timeline is as follows:

22 July	IAASB publishes first revision for the ISA for LCE
24 July – 5 October 69-day consultation period	Consultation and exposure draft period
14 October	Approve submission to IAASB
19 November	IAASB submission period closes

45. The application date of this amending standard would be after 15 December 2028. We do not believe that we would need to bring forward the application date for this revision.
46. **Does the Board agree with the project plan to develop and consult on New Zealand-specific requirements and EEM to the ISA (NZ) for LCE, as well as the first revision for the ISA for LCE?**

NZAuASB Board meeting summary paper

Meeting date: 10 June 2026

Subject: **ISA (NZ) 540 Auditing Accounting Estimates and Related Disclosures – post-implementation review**

Date: 22 May 2026

Prepared by: Karen Tipper

Reviewed by: Misha Pieters

Action Required

For Information Purposes Only

Agenda item objectives

1. The objective of this agenda item is to APPROVE the NZAuASB's response to the IAASB's ISA 540 (Revised) *Auditing accounting estimates and related disclosures* (ISA 540) post-implementation survey.

Background

2. The IAASB issued a post-implementation survey on 17 February 2026. Staff shared details of the consultation on the XRB website (see [consultation page](#)) on 18 February 2026, within three weeks of release, in line with our SPE target.
3. The consultation was promoted as follows:
 - (a) in the assurance alert on 19 February 2026
 - (b) in the Assurance Need-to-know on 31 March 2026, and
 - (c) via [LinkedIn posts](#) on 1 March 2026, 16 April 2026 and 12 May 2026.
4. The NZAuASB DISCUSSED preliminary thoughts to inform the XRB response at its April meeting.
5. Staff have obtained feedback from various stakeholders as follows:
 - (a) the audit technical reference group members
 - (b) targeted interviews with practitioners to inform the initial response to the Jurisdictional Standard Setters meeting in August 2025
 - (c) one to one meetings with large and mid-size firms, professional bodies, regulators and academics to seek views on the survey response.
6. The NZ consultation closed on 13 May 2026. No written submissions were received from stakeholders, and no requests were received via the website for additional meetings.
7. AUASB held a virtual roundtable to discuss the ISA 540 survey on 21 May 2026. XRB staff observed this, which also informed the attached draft response for approval.

8. The IAASB consultation closes on 15 June 2026.

Matters to consider

9. The following key messages are included in this draft response for approval:
- (a) That there are many factors that contribute to audit quality related to accounting estimates and the submission should be read in that way. The questions are posed in a way that implies that ISA 540 is the reason for benefits or challenge. It is not possible to provide evidence as to whether it is the standard and/or other factors that are creating both benefits and/or challenges.
 - (b) That any challenges may not be able to be solved by the IAASB alone and may require a coordinated approach with others.
 - (c) The response encourages the IAASB to ask open-ended questions in future post-implementation surveys.
 - (d) The scalability and proportionality of the standard is a concern. Practitioners continue to raise the challenge of understanding what level of detail is required when applying requirements to smaller entities and/or to less complex estimates for larger entities. We have elevated this to be a significant challenge in response to question 10 as it is a key message for the XRB submission rather than raising scalability and proportionality through every challenge.
 - (e) Professional scepticism is improving. Further standard setting may not be the best way to further enhance application of professional scepticism.
 - (f) Understanding the entity, and its internal controls has also been elevated to a moderate issue based on our outreach. (Refer to question 18(a) of the draft response).
 - (g) That the time and effort required to perform a retrospective review of an accounting estimate is perceived to outweigh the benefits
 - (h) Challenges in using an auditor's expert including:
 - i. Determining when an expert is needed
 - ii. Selecting an appropriate expert where there is divergence in practice
 - iii. Lack of clarity about the work expected to be performed by the expert versus the work completed by the audit team.

Recommendations

10. We recommend the Board approve a NZAuASB response (subject to any updates from further engagement) and delegate final sign-off to the Chair if any further changes are needed.

Material presented

- Board meeting summary paper
- Draft survey response



Post-Implementation Survey

This document includes survey questions for:

- **Accounting firms**
- **Jurisdictional and Other Standard Setters**
- **Professional Accountancy Organizations (PAOs)**
- **Regulators and Audit and Assurance Oversight Bodies**
- **Academia**
- **Others**

!! Not for Submission !!

This document includes the *Word* version of the International Auditing and Assurance Standards Board's (IAASB) public consultation survey for the post-implementation review of International Standard on Auditing (ISA) 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*.

It aims to facilitate *stakeholders' internal outreach or information-gathering activities, and drafting and review of responses prior to completing the online survey*.

Please provide your input by using the [online survey](#).

Post-Implementation Review of ISA 540 (Revised)

*Public Consultation Survey***About this Survey**

This public consultation survey includes a series of questions to gather input on the impact of ISA 540 (Revised) as part of the IAASB's post-implementation review (PIR) of the standard. The survey was developed with a broad range of stakeholders in mind, including auditors and audit firms, jurisdictional standard setters, professional accountancy or professional organizations, regulators or audit and assurance oversight bodies, preparers or issuers, those charged with governance, investors and other users of financial statements, and academics. The survey questions have been tailored to reflect the perspectives and experiences of different stakeholder groups, ensuring that each respondent is asked questions relevant to their role and interaction with ISA 540 (Revised) or its outputs.

Request and Related Information

Respondents are asked to complete the online public consultation survey for the PIR of ISA 540 (Revised) by following the link provided on the IAASB website. [Access the ISA 540 Post-Implementation Review Survey web page here](#). **Responses to the public consultation survey are requested by June 15, 2026.**

We encourage stakeholders to further distribute the link to the online survey to their members or constituents, as applicable, within their jurisdictions or organizations, and as part of raising awareness or undertaking further outreach activities with all stakeholders.

You may respond to all questions or only selected questions or matters.

All responses to this survey, whether complete or partial, once submitted will be accepted and considered as input for the work of the IAASB project team in relation to the PIR of ISA 540 (Revised). The responses received will be summarized (in various ways, including, for example by stakeholder group) for purposes of progressing the PIR project, including providing feedback to the IAASB and in developing recommendations for possible further actions.

All responses will be considered a matter of public record and submissions will ultimately be posted on the IAASB website.

Structure of the Survey

The questions for respondents are organized in the following sections.

Section I — Background and Purpose

Section II — About the Respondent

Section III — Overall Questions

Section IV — Perceived Benefits from ISA 540 (Revised)

Section V — Potential Issues or Challenges Related to ISA 540 (Revised)

Section I: Background and Purpose

ISA 540 (Revised), Auditing Accounting Estimates and Related Disclosures

1. In June 2018, the IAASB approved ISA 540 (Revised) as a [final standard](#).¹ ISA 540 (Revised) established more robust requirements and appropriately detailed guidance to foster audit quality by driving auditors to perform appropriate procedures in relation to accounting estimates and related disclosures. The standard was effective for audits of financial statements for periods beginning on or after December 15, 2019.
2. ISA 540 (Revised) addressed the following public interest issues:
 - (a) Audit risks were evolving due to a more complex business environment;
 - (b) Fostering improved exercise of professional skepticism; and
 - (c) Realizing public interest benefits through improved communication and transparency.
3. The IAASB made many enhancements to ISA 540 (Revised) to keep pace with the increasingly complex business environment and changes in financial reporting standards. In addition, recurring audit inspection findings criticized the quality of audit work relating to accounting estimates. Therefore, among other enhancements, ISA 540 (Revised) (paragraphs in the standard are indicated in parentheses):
 - (a) Introduced the concept of inherent risk factors, including not only estimation uncertainty but also complexity, subjectivity and others (paragraphs 2, 4, 16).
 - (b) Enhanced risk assessment procedures relating to obtaining an understanding of the entity and its environment, including the entity's system of internal control (paragraph 13).
 - (c) Emphasized the importance of the auditor's decisions about controls relating to accounting estimates by highlighting relevant requirements in ISA 315 (Revised 2019)² and ISA 330³ (paragraphs 19 and 20).⁴
 - (d) Introduced objectives-based work effort requirements directed to methods (including specifically when complex modelling is involved), data and assumptions, to design and perform further audit procedures to respond to assessed risks of material misstatement (paragraphs 7, 19, 22-25).
 - (e) Enhanced the "stand-back" requirements, by adding an evaluation of the audit evidence obtained regarding the accounting estimates, including both corroborative and contradictory audit evidence (paragraphs 33-35).
 - (f) Enhanced the requirements to obtain audit evidence about the disclosures related to accounting estimates and to determine whether the accounting estimates and related disclosures are

¹ Note that all references to paragraphs and other content of ISA 540 (Revised) is to the latest version of the standard in the [2025 IAASB Handbook](#).

² ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

³ ISA 330, *The Auditor's Responses to Assessed Risks*

⁴ The ISA 315 (Revised 2019) and ISA 540 (Revised) Task Forces coordinated closely to minimize the extent of conforming changes to ISA 540 (Revised) as a result of ISA 315 (Revised 2019). The conforming changes to ISA 540 (Revised) were generally limited to aligning concepts and terminology and did not change the performance requirements in ISA 540 (Revised).

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Public Consultation Survey

reasonable in the context of the applicable financial reporting framework, or are misstated (paragraphs 26(b), 29(b), 31 and 35).

- (g) Included a new requirement to consider matters regarding accounting estimates when communicating with those charged with governance (paragraph 38).
4. The IAASB also issued non-authoritative materials to support the adoption and effective implementation of ISA 540 (Revised), including presentations, flowcharts and diagrams, and illustrative examples.⁵

Post-Implementation Review*Objectives and Approach*

5. In September 2025, the IAASB agreed a plan to perform a post-implementation review (PIR) of ISA 540 (Revised). As indicated in the [PIR for ISA 540 \(Revised\) Plan](#), the IAASB aims to achieve the following:
- (a) Determine whether ISA 540 (Revised) has achieved its intended purpose by identifying:
 - (i) Improvements or benefits from applying the revised standard; and
 - (ii) Practical challenges or questions regarding its application, including whether it is being consistently understood and implemented; and
 - (b) Determine what actions, if any, are needed by the IAASB to address identified matters.
6. To support these objectives, the IAASB is undertaking a formal public consultation survey to gather information from a broad range of stakeholders. Additional targeted outreach activities will be undertaken as well to complement the understanding of identified implementation challenges or questions and to augment, as applicable, the public consultation process to ensure input is obtained from all stakeholder groups.

Potential Output

7. Based on the insights from the public consultation survey and other targeted outreach activities, the IAASB will determine appropriate next steps, which may include one or a combination of further information-gathering activities, standard-setting activities, or development of non-authoritative materials.
8. The IAASB may also determine that no further action is needed or that there are opportunities to facilitate or support actions by others.
9. A key consideration will be the nature and extent of any perceived challenges, including whether those challenges are due to lack of clarity or insufficiency of the requirements or application material in the standard.

⁵ Please refer to the [ISA 540 Implementation webpage](#) for more information on the non-authoritative materials.

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Section II: About the Respondent

1. Please provide the following information about your organization (if applicable) and other contact information:

Organization (or leave blank if you are completing the survey in your personal capacity)	External Reporting Board
Name(s) of contact(s) for this submission	Misha Pieters
Job title or role	Director – Auditing and Assurance
E-mail address(es) of contact(s)	Misha.pieters@xrb.govt.nz

2. Please select from the following options the stakeholder group to which you or your organization belongs:

Accounting Firm – Global Accounting Firm	
Accounting Firm – Large National or Regional Accounting Firm	
Accounting Firm – Small- or Medium-Sized Accounting Firm	
Accounting Firm – Sole Practitioner	
Accounting Firm – Public Sector Audit Institution	
Jurisdictional Standard Setter (JSS) or Other Standard Setter	X
Professional Accountancy or Professional Organization (PAOs)	
Regulator or Audit and Assurance Oversight Body	
Preparer or Issuer of Financial Statements (Including Public Sector Organizations), or Those Charged with Governance (TCWG)	
Users of Financial Statements (e.g. investor, analyst, lender or other creditor)	
Academia	
Other – Specify	

3. Select from the following options the geographical region that best matches you or your organization:

Africa	
Asia Pacific	X
Europe	
South America	
Middle East	
North America	

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Global

4. Did you undertake outreach activities with other stakeholders outside your organization to inform your responses to this survey?

Yes

X

No

- 4A. **[If the response to question 4 is yes]** Please provide further information about your outreach activities, including:

The manner in which the outreach was undertaken.

One on one discussions were held to solicit views.

The nature and number (or estimate thereof) of stakeholders with whom you engaged.

We engaged with auditors, representatives from professional bodies, regulators and academics.

5. You are welcome to provide any additional information you believe may be relevant to clarify the context in which you are completing the survey, or the circumstances or experiences that have informed your views or perspectives (or you can choose to leave this question blank).

Input

There are multiple contributing factors impacting the audit of accounting estimates. Our observations below are therefore not only linked to the revision of ISA 540 (Revised).

Accounting estimates can be complex and the preparation of these estimates is often challenging. Some estimates are becoming less precise and the disclosure and transparency of the methods and assumptions used becomes more important. Enhancing accounting estimates will require coordination across the financial reporting and assurance ecosystem. Challenges identified may not be able to be solved by the IAASB alone but may require collaboration with others.

Overall, we found the targeted questions in the survey were narrowly scoped, focussed on whether the revisions met a purpose established many years ago. We consider it is timely and relevant to explore whether ISA 540 (Revised) is fit for purpose in a rapidly evolving business context and encourage the IAASB to consider more open-ended questions when undertaking post-implementation reviews in future.

Section III: Overall Questions

This section focuses on whether ISA 540 (Revised) has achieved its intended purposes and objectives.

In revising ISA 540, the IAASB aimed to:

- (a) Establish more robust requirements and appropriately detailed guidance to foster audit quality by driving auditors to perform appropriate procedures in relation to accounting estimates and related disclosures. These revisions would also emphasize the importance of the appropriate application of professional skepticism when auditing accounting estimates.
- (b) Determine whether non-authoritative guidance and support tools, such as International Auditing Practice Notes, Staff publications, project updates or other materials, should be developed.

The IAASB also issued non-authoritative materials to support the adoption and effective implementation of ISA 540 (Revised), including presentations, flowcharts and diagrams and illustrative examples (refer to the [ISA 540 Implementation Webpage](#)).

Additional Information

Please note, the questions in this section are overarching in nature and allow respondents to share overall views without getting into details. The specific questions in **Sections IV** and **V** that follow provide opportunity for respondents to comment in more detail on specific aspects related to auditing of accounting estimates.

6. Please provide overall views about whether ISA 540 (Revised) has achieved its intended purpose and the objectives of the IAASB in developing the revised standard.

Input

Audit focus has improved, but practical challenges remain

Through our outreach we heard that there has been improved audit focus related to accounting estimates. In particular, auditors appear to place greater emphasis on risk assessment, documentation, and the application of professional scepticism. We also heard that adoption of the revised ISA (NZ) 540 has been relatively smooth.

However, recurring inspection findings and increasing complexity indicate that challenges remain.

The Financial Markets Authority (FMA), the audit regulator of Financial Market Conduct entities in New Zealand, continues to highlight the audit of accounting estimates as an area for continuous improvement. Recurring findings relate to the sufficiency of audit evidence, the need to assess the integrity of the significant assumptions and to test data used in complex models. There are also ongoing findings related to using an auditor's expert to audit an estimate.

It is not always clear whether these challenges arise from the standard itself or from implementation in practice, or a combination of both, nor whether challenges may be better addressed through non-authoritative guidance.

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We also note that complexity continues to increase. Accordingly, our response focusses on whether the standard remains fit for purpose in the current context and highlights ongoing challenges in practice, rather than only on whether the revision met the objectives of the project that were established years ago.

7. Are you aware of the non-authoritative guidance and support tools developed to support the implementation of ISA 540 (Revised)?

Yes

X

No

- 7A. **[If the response to question 7 is yes]** Do you agree that the non-authoritative guidance and support tools developed to support the implementation of ISA 540 (Revised) are useful?

4 – Strongly Agree	3 – Agree	2 – Disagree	1 – Strongly Disagree	0 – No Response
	X			

Input

Stakeholders value existing guidance, but want more practical examples

Existing non-authoritative guidance was viewed positively by those familiar with it. Those less familiar or who were not aware, cited the time frames since it was issued or the lack of prominence on websites. Given limited resources, we encourage the IAASB to consider re-promoting or recycling the relevant parts of this guidance as a good reminder to stakeholders.

A recurring theme from our outreach were calls for additional non-authoritative guidance, especially more examples of “complex” estimates that are commonly encountered in practice. Suggestions we heard included a worked example of a valuation. This would supplement and complement the worked examples in the extant guidance that are more straightforward and simpler.

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Section IV: Perceived Benefits from ISA 540 (Revised)

This section seeks to understand stakeholders' perspectives on the perceived benefits or improvements resulting from the implementation of ISA 540 (Revised). The purpose is to gather insights on how the revised standard has, for example, contributed to enhanced audit quality by promoting consistency in the approach to auditing accounting estimates, or contributed to enhanced financial reporting quality by fostering greater interaction among the auditor, management and those charged with governance.

Additional Information

Please note, this section deliberately focuses on **perceived benefits or improvements**. To enhance the richness of input from the survey and to facilitate more effective analysis of responses received, please limit your responses to these aspects. The next section, **Section V**, allows you to share your views on any issues or challenges, or certain specific impacts relating to ISA 540 (Revised).

8. For each perceived benefit, indicate the extent to which you agree that ISA 540 (Revised) has led to benefits or improvements.

Benefits of ISA 540 (Revised)	4 – Strongly Agree	3 – Agree	2 – Disagree	1 – Strongly Disagree	0 – No Response
(a) Enhanced exercise of professional skepticism when auditing accounting estimates.		X			
(b) Greater consideration of the skills and competencies of the engagement team, including the need to involve specialists or experts.			X		
(c) Greater attention to understanding management's process for making estimates, including the selection of methods, assumptions and data (and the consistency of selection between periods).		X			
(d) Better or more focused assessments of the risks of material misstatements for accounting estimates.		X			
(e) More focus on understanding and testing controls related to accounting estimates.		X			
(f) Increased auditor attention to disclosures related to accounting estimates, including disclosures about estimation uncertainty.		X			
(g) Enhanced interactions and communications between the auditor and management and those charged with governance related to the audit of accounting estimates.		X			

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Benefits of ISA 540 (Revised)	4 – Strongly Agree	3 – Agree	2 – Disagree	1 – Strongly Disagree	0 – No Response
(h) Enhanced quality of financial reporting related to accounting estimates.		X			

9. Are there any additional benefits or positive outcomes arising from the implementation of ISA 540 (Revised) that you would like to highlight?

Yes	X	No	
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Input	<p>ISA 540 may have improved awareness and reporting quality</p> <p>Several factors have contributed to improvements in reporting and auditing management's estimates and related disclosures. As a result, these benefits cannot be attributed solely to ISA 540 (Revised).</p> <p>We have heard that increased audit focus on accounting estimates may have improved the quality of financial reporting in this area.</p> <p>We have also observed better awareness and identification of accounting estimates that fall within the scope of ISA 540 (Revised).</p> <p>Auditors may be placing more focus on understanding controls over management's estimates, often through walkthrough procedures. However, this has not necessarily led to more controls testing or less substantive testing. This is mainly because many entities do not have controls that are strong enough to support testing of operating effectiveness of controls.</p>
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Section V: Potential Issues or Challenges Relating to ISA 540 (Revised)

A. Scalability and Proportionality

The IAASB acknowledged the importance of a scalable standard for all types of accounting estimates, from those that are relatively simple to those that are complex, and included several elements to address this, including:

- Introducing and emphasizing the concept of a spectrum of inherent risk (paragraph 4). Under the spectrum of inherent risk concept, the assessment of inherent risk depends on the degree to which the inherent risk factors affect the likelihood or magnitude of misstatement, and varies on a scale.
- Specific paragraphs in the application material that demonstrate how ISA 540 (Revised) is scalable in the risk assessment (paragraphs A20-A22) and the responses to the assessed risks of material misstatement (paragraph A84).
- Emphasizing in a requirement that the auditor's further audit procedures need to be responsive to the reasons for the assessment of the risks of material misstatement at the assertion level and that the auditor's further audit procedures shall take into account that the higher the assessed risk of material misstatement, the more persuasive the audit evidence needs to be (paragraph 18).

10. ISA 540 (Revised) was designed to be capable of being applied to all accounting estimates, and for the nature, timing and extent of the risk assessment and further audit procedures to be varied in relation to the estimation uncertainty and the assessment of the risks of material misstatement. Indicate the extent to which you have experienced or observed or are aware of any issues or challenges related to scalability and proportionality.

4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
X				

11. Briefly describe these or any other issues or challenges you encountered or observed related to scalability and proportionality.

Input	Scalability challenges
	<p>We have heard mixed views on scalability. Some stakeholders noted that the standard appropriately highlights scalability and works in practice.</p> <p>ISA 540 (Revised) was informed by matters impacting large and complex entities, for example the expected credit loss accounting standard. Many smaller entities do not have estimates of that nature.</p> <p>Many found scalability and proportionality to be a key challenge. These concerns related to scaling the requirements to:</p> <ul style="list-style-type: none"> • smaller entities with simple estimates • less complex estimates for larger entities

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- an estimate that is multiples of materiality for which any misstatement is more likely to be material versus an estimate that is very close to the materiality threshold.

Practitioners from small practices commented that they apply the same approach regardless of the complexity of the estimate and have asked for additional practical examples to be provided.

There are challenges in applying risk assessment at the assertion level for estimates when the spectrum of risk differs at a more granular level. For example, in a discounted cash flow model, the level of risk may be assessed to be different for the cash flows and the discount rate. However, both the cash flows and discount rate may impact the same assertions. Stakeholders highlighted the challenge of applying the requirements over the methods, assumptions and data that may impact the same assertion, but for which the inputs have very different risk profiles.

12. In your view, are the observed issues or challenges due to a lack of clarity or insufficiency of the requirements or application material in the standard?

Yes	No	Difficult to Determine	No Response
X			

13. What specific suggestions do you have for how the IAASB can best address the issues or challenges you have identified (e.g., standard-setting, non-authoritative guidance, or other actions)?

Input**The standard should clarify how risk can be assessed at a more granular level**

We recommend the standard clarifies that, although risk assessment is performed at the assertion level, the auditor may assess risks in methods, assumptions and data at a more granular level to enable the audit to be risk-based and proportionate to the real risks. For example, risk related to one assertion may be higher in only two of five assumptions in a model. Drilling down to this level may be necessary to understand what is driving the risk and to design appropriate responses to address this risk.

Practical examples would help auditors apply a proportionate, risk-based approach

In addition, we recommend non-authoritative guidance be developed that provides a practical example of a complex estimate and how the approach can be scaled and proportionate to the risk identified. This could include examples of estimates with differing risk profiles or examples across large and less complex entities.

B. Professional Skepticism

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Public Consultation Survey

ISA 540 (Revised) includes several key elements that are designed to enhance the auditor's application of professional skepticism, including:

- Use of stronger language, such as “challenge,” “question,” and “reconsider” to reinforce the importance of exercising professional skepticism (see, for example, paragraphs A60, A95, and A135 of ISA 540 (Revised)).
- A requirement to design and perform further audit procedures in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory (paragraph 18).
- A requirement to “stand back” and evaluate the audit evidence obtained regarding the accounting estimates, including both corroborative and contradictory audit evidence (paragraphs 33–35).

14. Indicate the extent to which you have experienced or observed or are aware of the following issues or challenges in applying or relating to ISA 540 (Revised) with respect the auditor *exercising professional skepticism* when auditing accounting estimates and related disclosures.

Issues or Challenges in Applying ISA 540 (Revised)	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
(a) Appropriately challenging management's judgments used in making accounting estimates, particularly when they involve complex or subjective inputs.		X			
(b) Identifying and appropriately responding to potential indicators of management bias in the development of accounting estimates.			X		
(c) Appropriately considering all relevant audit evidence obtained, whether corroborative or contradictory.			X		

15. Briefly describe these or any other issues or challenges you encountered or observed related to exercising professional skepticism.

Input

Stakeholders queried whether professional scepticism can be meaningfully strengthened through the standard, or whether it mainly develops through training, experience and an enquiring mindset.

Regulators have identified improvement in how auditors challenge management and management's experts. However, they also continue to note weaknesses in documenting judgements and obtaining sufficient appropriate audit evidence, particularly when an auditor uses an expert.

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We heard that enhanced risk assessment procedures may have strengthened auditors' ability to identify potential indicators of management bias at a detailed level. This has increased the importance of applying the stand-back requirements appropriately to make an overall assessment.

We heard that auditors are generally obtaining both corroborative and contradictory evidence. However, contradictory evidence can be difficult to find, particularly where no active market exists. There was general agreement that additional emphasis on the requirement to take into account all relevant evidence obtained, whether corroborative or contradictory, is particularly helpful relevant in volatile environments.

16. In your view, are the observed issues or challenges due to a lack of clarity or insufficiency of the requirements or application material in the standard?

Yes	No	Difficult to Determine	No Response
	X		

17. What specific suggestions do you have for how the IAASB can best address the issues or challenges you have identified (e.g., standard-setting, non-authoritative guidance, or other actions)?

Input

We do not consider that further standard setting is the best way to enhance professional scepticism.

If further non-authoritative material is developed, such guidance may:

- demonstrate the benefits of assessing corroborative and contradictory evidence particularly when the client is operating in a volatile environment.
- include a practical prompt of what the auditor may consider when a client only obtains valuations every other year and there has been a significant change in economic conditions between valuations.

C. Risk Assessment Procedures

ISA 540 (Revised) includes an enhanced risk assessment specifically tailored to accounting estimates that builds on the risk assessment required by ISA 315 (Revised 2019). The inherent risk factors of estimation uncertainty, complexity and subjectivity play a central role in the approach to the identification and assessment of the risks of material misstatement related to accounting estimates, and the responses to those assessed risks. ISA 540 (Revised) also notes that there may be other inherent risk factors, including susceptibility to misstatement due to management bias or fraud.

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18. Indicate the extent to which you have experienced or observed the following issues or challenges in applying ISA 540 (Revised) with respect to *risk assessment procedures and identifying and assessing the risks of material misstatement related to accounting estimates*.

Issues or Challenges in Applying ISA 540 (Revised)	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
(a) The consideration of inherent risk factors and the interrelationship between them in identifying and assessing risks of material misstatement related to accounting estimates.			X		
(b) How the understanding of the entity and its environment, and the entity's internal control for accounting estimates, relates to the understanding required by ISA 315 (Revised 2019) (i.e., whether it is clear that the requirements in paragraph 13 of ISA 540 (Revised) relate specifically to accounting estimates and build on the broader requirements in ISA 315 (Revised 2019)).		X			
(c) Reviewing the outcome of previous accounting estimates or, where applicable, their subsequent re-estimation (i.e., the retrospective review of accounting estimates).		X			
(d) Understanding management's process for making accounting estimates, including how management identifies and selects relevant methods, assumptions and data, and how management understands and addresses estimation uncertainty.			X		
(e) The separate assessments of inherent and control risk relating to an accounting estimate.			X		
(f) Whether any of the assessed risks of material misstatement are significant risks.			X		

- 18A. [If the response to question 18(b) is 4-Significant Issues or Challenges or 3-Moderate Issues or Challenges] Provide additional input, if any, about any issues or challenges regarding the *interaction*

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of ISA 540 (Revised) with ISA 315 (Revised 2019) in relation to risk assessment procedures and the identification and assessment of risks of material misstatement for accounting estimates.

Input

We heard that some stakeholders consider that regulatory findings persist relating to accounting estimates where the auditor does not sufficiently understand the client's business. Understanding of the entity and its environment is core to applying a proportionate, risk-based audit of the entity's accounting estimates.

We also heard that auditors face challenges when entities do not have appropriate controls in place for accounting estimates. This has been highlighted in relation to the use of management's expert where the entity's management has limited understanding of the estimate and there are inadequate controls in place.

- 18B. [If the response to question 18(c) is 4-Significant Issues or Challenges or 3-Moderate Issues or Challenges] Indicate the extent to which you agree with the following statements with respect to reviewing the outcome of previous accounting estimates or, where applicable, their subsequent re-estimation.

Statements Related to Retrospective Review	4 – Strongly Agree	3 – Agree	2 – Disagree	1 – Strongly Disagree	0 – No Response
(a) The retrospective review process is difficult due to changes in economic conditions or assumptions that make prior-period estimates less comparable.		X			
(b) The time and effort required to perform a retrospective review outweigh the perceived benefits for audit risk assessment.		X			

19. Briefly describe these or any other issues or challenges you encountered or observed related to risk assessment procedures and whether such issues or challenges relate primarily to estimates that have a high degree of estimation uncertainty or complexity.

Input

Some stakeholders reported the importance and value of retrospective reviews of estimates.

Others however reported the following challenges:

- Difficulty in certain circumstances to test the outcome of a previous estimate, for example, a building valuation unless there has been a sale of the asset. In this case it may be more appropriate to review the inputs rather than the outputs.
- That the time and effort to perform a retrospective review is significant and question the confidence it provides.

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Some stakeholders questioned the benefit of performing a retrospective review when the estimate continues into the current period and is subject to other audit procedures.

20. In your view, are the observed issues or challenges due to a lack of clarity or insufficiency of the requirements or application material in the standard?

Yes	No	Difficult to Determine	No Response
		X	

21. What specific suggestions do you have for how the IAASB can best address the issues or challenges you have identified (e.g., standard-setting, non-authoritative guidance, or other actions)?

Input

We recommend that the IAASB work with practitioners and regulators to identify examples where retrospective reviews of an estimate provide high quality audit evidence and where the benefit outweighs the cost. Such discussion could enable clear communication of when and how retrospective reviews promote audit quality.

D. Responses to the Assessed Risks of Material Misstatement and Overall Evaluation

The auditor's responses to assessed risks of material misstatement for accounting estimates include one or more of the following testing strategies:

- Obtaining audit evidence from events occurring up to the date of the auditor's report;
- Testing how management made the accounting estimate; or
- Developing an auditor's point estimate or range.

For these testing strategies, the IAASB introduced objective-based requirements, focused on methods (including models), assumptions and data. The objective-based requirements allow scalability in the nature, timing and extent of the procedures performed, recognizing that the higher the assessed risks of material misstatement, the more persuasive the audit evidence needs to be.

ISA 540 (Revised) requires the auditor to determine whether the accounting estimates and related disclosures are reasonable in the context of the applicable financial reporting framework, or are misstated. In making this determination, the auditor is required to evaluate the effect of uncorrected misstatements on the financial statements. ISA 540 (Revised) provides guidance for that evaluation, consistent with ISA 450, *Evaluation of Misstatements Identified During the Audit*.

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22. Indicate the extent to which you have experienced or observed the following issues or challenges in applying ISA 540 (Revised) with respect to *responding to the assessed risks of material misstatement*.

Issues or Challenges in Applying ISA 540 (Revised)	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
Responses to the Assessed Risks of Material Misstatement					
(a) Determining the most appropriate response(s) to the assessed risks of material misstatement at the assertion level from among the testing approaches in paragraph 18 of ISA 540 (Revised).	X				
(b) Determining whether to test the operating effectiveness of controls related to an accounting estimate.				X	
(c) Appropriately applying the testing approach of obtaining audit evidence about events occurring up to the date of the auditor's report, either alone or with another testing approach(es).				X	
(d) Testing how management made the accounting estimate.	X				
(e) Developing an auditor's point estimate or range.	X				
Overall Evaluation					
(f) Determining whether the accounting estimates and related disclosures are reasonable in the context of the applicable financial reporting framework, or are misstated.		X			
(g) Evaluating identified misstatements related to accounting estimates, including when the audit evidence supports a point estimate that differs from management's point estimate or a range that does not include management's point estimate, or when the auditor's range is wide (in some cases, multiples of materiality for the financial statements as a whole).		X			

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22A. [If the response to question 22(d) is 4-Significant Issues or Challenges or 3-Moderate Issues or Challenges] Indicate the extent to which you have experienced or observed the following issues or challenges in applying ISA 540 (Revised) with respect to *testing how management made the accounting estimates*.

Issues or Challenges in Applying ISA 540 (Revised)	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
(a) Testing management's selection of the method, significant assumptions, and data used, including whether management's judgments give rise to indicators of possible management bias.		X			
(b) Understanding management's application of the method involving complex modelling and testing complex models, including the integrity and completeness of the data used.	X				
(c) Whether management has taken appropriate steps to understand and address estimation uncertainty, including the selection of an appropriate point estimate and developing related disclosures about estimation uncertainty.		X			

22B. [If the response to question 22(e) is 4-Significant Issues or Challenges or 3-Moderate Issues or Challenges] Indicate the extent to which you have experienced or observed the following issues or challenges in applying ISA 540 (Revised) with respect to *developing a point estimate or range*.

Issues or Challenges in Applying ISA 540 (Revised)	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
(a) Determining when it may be appropriate to develop an auditor's point estimate or range.			X		
(b) Determining that the auditor's range includes only amounts that are supported by sufficient appropriate audit evidence and have been evaluated to be reasonable in the context of the measurement objectives and other				X	

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Issues or Challenges in Applying ISA 540 (Revised)	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
requirements of the applicable financial reporting framework.					
(c) Maintaining objectivity and independence, for example, when material adjustments are made to management’s point estimate based on the auditor’s point estimate developed using a model or assumptions that were different from management’s models and assumptions.		X			

23. Briefly describe these or any other issues or challenges you encountered or observed related to responding to risks of material misstatement and whether such issues or challenges relate primarily to estimates that have a high degree of estimation uncertainty or complexity.

Input

Determining the most appropriate response to assessed risk

We have heard that the distinction between testing approaches described in paragraph 18 often becomes blurred (i.e. more than one method is used to test management’s estimate). While the standard acknowledges the possibility in paragraph A81, it does not address the practical challenges that arise.

For example, the auditor may plan to test how management made the accounting estimate (18 (b)) but may become aware of weaknesses in management’s approach while performing this testing. Due to the weaknesses identified, the auditor may then develop a “challenger” estimate.

This “challenger” estimate may include elements of an auditor’s point estimate. When this occurs, the documentation may become less clear as to whether this still constitutes testing of whether management’s estimate is reasonable, or whether this moves into developing an auditor’s point estimate or range.

The regulator highlighted that auditors may document that they are using a testing approach, but the evidence on file supports a different method.

Testing how management made the estimate

Auditors may be uncertain about which parts of management’s estimate to test and how to document the professional judgement applied in making that determination. This may happen when they do not have a robust

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understanding of the estimate or when risk assessment procedures are not performed at a sufficiently detailed level.

Challenges also arise when auditors cannot access all parts of an estimate. For example, if management uses an expert and parts of the model are protected as proprietary, auditors may not have sufficient access to review them fully. This can make it difficult to determine what constitutes sufficient appropriate audit evidence for those protected elements and may blur the distinction between testing approaches. We expect this issue to become more significant as the use of technology and “black box” processes increases.

Auditors also reported challenges in deciding when to involve an expert to assess the reasonableness of management’s estimate. Where management has used an expert, auditors may also find it difficult to source an auditor’s expert with the necessary skills in smaller markets such as the New Zealand market.

Developing an auditor’s point estimate or range

Developing a point estimate is often challenging and is therefore uncommon in practice.

We heard concerns:

- around the level of precision required in developing an auditor’s point estimate or range, particularly when there is a high level of uncertainty.
- about a lack of clarity about what steps to take to resolve differences between an auditor’s estimate and management’s estimate.
- related to independence in circumstances when there is a difference and a client adjusts their accounting estimate to reflect the auditor’s point estimate.

24. In your view, are the observed issues or challenges due to a lack of clarity or insufficiency of the requirements or application material in the standard?

Yes	No	Difficult to Determine	No Response
X			

25. What specific suggestions do you have for how the IAASB can best address the issues or challenges you have identified (e.g., standard-setting, non-authoritative guidance, or other actions)?

Input

We have heard that practitioners find the examples provided in the standard too simple. We encourage the use of more realistic examples, based on more complex estimates encountered in practice.

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We have heard challenges when management makes material adjustments to their estimate based on an auditor's point estimate. We would encourage application material to address this situation, outlining when necessary and providing practical examples.

We also encourage further guidance on how the precision of an auditor's point estimate or range affects the persuasiveness of audit evidence, particularly where estimation uncertainty is high and when evaluating misstatements.

Further clarity is also needed on the steps an auditor should take when the auditor's estimate differs from management's estimate. For example, it would be helpful to explain whether, and in what circumstances, the matter should be communicated to those charged with governance or whether a scope limitation may need to be considered.

E. Other Matters – Communications, Specialized Skills or Knowledge and Documentation

ISA 540 (Revised) enhanced the requirements for other aspects of auditing accounting estimates and related disclosures, such as:

- Communication with TCWG, management or other relevant parties;
- Specialized skills or knowledge, including using the work of an auditor's expert; and
- Documentation.

26. Indicate the extent to which you have experienced or observed the following issues or challenges in applying ISA 540 (Revised) with respect to *communication, specialized skills or knowledge, including using the work of an auditor's expert, and documentation*.

Issues or Challenges in Applying ISA 540 (Revised)	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
Communications					
(a) Determining the matters, if any, to communicate related to accounting estimates, (including about significant qualitative aspects of the entity's accounting practices and significant deficiencies in internal control).			X		
Specialized Skills or Knowledge, Including Using the Work of an Auditor's Expert					
(b) Determining when it is appropriate to involve an auditor's expert(s) (an internal or external expert) and using the work of	X				

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Issues or Challenges in Applying ISA 540 (Revised)	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
an auditor's expert(s) in auditing an accounting estimate(s).					
Documentation					
(c) Preparing appropriate audit documentation in accordance with the requirements in paragraph 39 of ISA 540 (Revised).			X		

27. Briefly describe these or any other issues or challenges you encountered or observed related to communications, specialized skills or knowledge (including using the work of an auditor's expert) and documentation.

Input	<p>Auditors face practical challenges when using experts</p> <p>We identified three main challenges in using an auditor's expert.</p> <ul style="list-style-type: none"> Auditors can find it difficult to determine when an expert is needed. For example, when management uses a valuation expert, it may be unclear whether the auditor's prior experience is sufficient or whether an auditor's expert is also needed. Paragraph A62 recognises valuation skills as an example of expertise the auditor may not possess. Auditors may face difficulty selecting an appropriate expert, particularly where there is divergence in practice or where different methodologies may be acceptable. Lack of clarity on the scope of work expected by an auditor's expert versus the audit team, for example experts often do not test the reliability of the underlying data so it is important that this is covered by the auditor.
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28. In your view, are the observed issues or challenges due to a lack of clarity or insufficiency of the requirements or application material in the standard?

Yes	No	Difficult to Determine	No Response
	X		

29. What specific suggestions do you have for how the IAASB can best address the issues or challenges you have identified (e.g., standard-setting, non-authoritative guidance, or other actions)?

Input	It may be beneficial to include a practical example in non-authoritative guidance to clarify the scope of work expected by an auditor's expert versus
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the work to be completed by the audit team. This may be more related to the application of ISA 620.

We would encourage further non-authoritative guidance related to paragraphs A61 - A63 in determining the appropriate expert to engage particularly when there is a divergence in practice or areas known to be subject to differing interpretation.

DRAFT

NZAuASB Board meeting summary paper

Meeting date: 10 June 2026
Subject: **Sustainability Assurance**
Date: 26 May 2026
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 for the Board to:
 - (a) APPROVE the illustrative greenhouse gas assurance (GHG) report using ISSA (NZ) 5000, and
 - (b) NOTE the updated sustainability engagement plan.

Background

2. In March 2026, we:
 - (a) issued International Standard on Sustainability Assurance (New Zealand) (ISSA (NZ)) 5000, General Requirements for Sustainability Assurance Engagements that incorporated the revocation of:
 - i. NZ SAE 1¹ and
 - ii. ISAE (NZ) 3410².
 - (b) revoked extant PES 1³ and reissued PES 1 that incorporated:
 - i. International Ethics Standards for Sustainability Assurance (including International Independence Standards) (New Zealand) (IESSA (NZ))
 - ii. Other revisions to the Code
 - iii. Revisions Addressing Using the Work of an External Expert.
3. In line with our SPE measure and the commitment we made to stakeholders, we intend to support the adoption and implementation transition to the newly released standards.
4. In April 2026, we brought a paper to the Board summarising our initial high-level plan. As agreed with the NZAuASB, as much material will be leveraged from the

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

² ISAE (NZ) 3410, *Assurance Engagements on Greenhouse Gas Statements*

³ Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards (New Zealand))*

international guidance in the first instance and domestic guidance will only be produced when necessary for our mandatory GHG disclosures assurance regime.

Illustrative assurance report

5. Staff have prepared an updated draft illustrative assurance report under ISSA (NZ) 5000. It relates to the mandatory assurance engagement over the GHG disclosures in the climate statements required by the FMC Act 2013⁴. This report is for an unmodified limited assurance opinion.
6. The IAASB issued [illustrative reports](#) using ISSA 5000 in November 2025.
7. We used the IAASB's illustrative reports included within ISSA (NZ) 5000 and the illustrative report for the assurance of selected disclosures issued by the IAASB as a starting point. We compared these reports to our existing [illustrative reports](#) when using the extant standard NZ SAE 1 and recent New Zealand practice.
8. Key matters considered by staff in drafting the illustration include:
 - (a) Reporting in the context of a fair presentation framework rather than a compliance framework, as the Aotearoa New Zealand Climate Standards (NZ CS) are a fair presentation framework. This is consistent with the approach in our extant illustrative assurance reports in accordance with NZ SAE 1 and what we have seen in New Zealand.
 - i. Paragraph 18 of ISSA (NZ) 5000 explains that a fair presentation refers to compliance with a reporting framework. It also acknowledges that fair presentation may require either additional information beyond what is specifically required by the framework or in rare cases, departure from a requirement.
 - ii. NZ CS require fair presentation in accordance with the principles of NZ CS ([para 6](#), NZ CS 3). When compliance with the requirements is insufficient additional disclosures must be provided ([para 7](#), NZ CS 3).
 - (b) The assurance report must identify both the NZ CS and the relevant GHG measurement standard as applicable criteria.
 - i. Paragraph 190(c)(vii) of ISSA (NZ) 5000 requires that the assurance report "identifies the applicable criteria, whether framework criteria, entity-developed criteria or both, and, for entity-developed criteria, where it is located".
 - ii. NZ CS include disclosure requirements, while [paragraph 24\(a\)](#) of NZ CS 1 requires entities to state the standard used to measure GHG emissions.
 - (c) Refer to the responsibility of directors rather than management.
 - i. Directors are responsible for preparing and fairly presenting the climate statements. Legislation requires them to date and sign the statements on behalf of the entity.⁵
 - (d) The addressee is the shareholders, unless another addressee is more appropriate, such as readers for public benefit entities.
 - i. Paragraph 190(b) of ISSA (NZ) 5000 requires that the assurance report includes an addressee. The application material ([para A541](#)) further explains "The addressee is usually the engaging party or those charged

⁴ Financial Markets Conduct Act 2013

⁵ Financial Markets and Conducts Act 2013, Part 7A, 460 (1)(a)

- with governance of the entity. Law or regulation or the terms of the engagement may specify to whom the assurance report is to be addressed in that particular jurisdiction.”
- ii. The Companies Act 1993 specifies shareholders as the addressee for a financial statements audit report. The climate reporting legislation does not specify an addressee for the mandatory assurance report.
 - iii. The regime is intended to support investment, lending and capital allocation decisions ([Explanatory Note to Financial Sector \(Climate-related Disclosures and Other Matters\) Amendment Bill](#)). Climate statements are also publicly lodged on the Companies Office register. NZ CS 1 identifies existing and potential investors, lenders and other creditors as primary users.
- (e) Reference to other information, e.g. the climate statements.
- i. Because GHG Disclosures form part of the climate statements, the assurance report must refer to other information. For stand-alone climate statements, that other information is the climate statements. Where climate statements appear within annual reports or other documents, that wider report will constitute other information.
 - ii. It is not mandatory to include the climate statements in the annual report. The illustrative report example developed includes reference to other information in the form of climate statements as a stand-alone document.
9. Staff have not included an example of cross-referencing to a GHG Inventory Report, to clearly identify the assured content in the illustrative report.
- (a) NZ CS 3, [paragraph 16](#) allows disclosures required by [Aotearoa New Zealand Climate Standards](#) to be incorporated within an entity’s climate-related disclosures by cross reference.
 - (b) The FMA noted in their November 2025 [audit quality monitoring report](#) that “The climate statements did not make specific reference to sections of the GHG Inventory Report that form the CRE’s climate-related disclosures, resulting in the entire document forming part of the climate statements.”
10. Staff have reached out to practitioners to understand current practice and to confirm whether there is a perceived need for more guidance. Staff will provide a verbal update at the meeting.
11. **Does the NZAuASB approve the illustrative report?**
12. **Does the NZAuASB consider that additional illustrations are needed covering modification over scope 3 GHG emissions disclosures and a mixed assurance report?**

Sustainability Engagement plan

13. Staff have refined the sustainability engagement plan in response to international developments. We highlight key changes from the plan noted in April below.
14. The international boards have already issued guidance. We will make this guidance available on our website. Stakeholders have told us they engage more easily with shorter, targeted content.
15. Staff intend to leverage from international material and promote guidance in a targeted and structured way monthly. Staff intend to request stakeholders to sign up to a sustainability assurance alert and will highlight relevant material from July 2026.

16. Information included within these alerts will be split between ethical and independence and sustainability assurance matters.
17. Staff no longer propose to run two deep dive events, one for ISSA (NZ) 5000 and another for PES 1. Given the availability of international webinars and the limited New Zealand changes, staff propose to promote those webinars instead.
18. Staff propose delaying the issue of our materiality guidance until the IAASB releases its materiality FAQs. We understand the FAQs will address assurance over a subset of sustainability information, which is relevant to the guidance that XRB staff are drafting for our regime.
19. Staff propose bringing the in-person event forward to September to align with consultation on the SRB's draft climate reporting roadmap. This would support coordinated feedback across the XRB.
20. Staff had planned to issue domestic guidance on restatements this year because NZ CS requires restatement for material errors. We have now removed this from the current plan. The original proposal reflected early feedback and an expectation that restatements would emerge in the New Zealand market, based on experience with voluntary GHG reporting and assurance. To date, however, we are not aware of any restatements in the New Zealand market. This may reflect the fact that most assurance engagements currently cover scope 1 and scope 2 GHG emissions disclosures only, as entities can continue to use the adoption provisions to exempt scope 3 GHG emissions disclosures from reporting and assurance until 31 December 2027. We will continue to monitor market practice and stakeholder feedback in this area.
21. Proposed timings are included in the Appendix to this summary paper for the Board's consideration. The topics included in this Appendix may flex or additional topics may be added based on stakeholder feedback and needs.

Recommendations

22. We recommend that the Board approve
 - (a) the illustrative assurance report.
 - (b) We recommend that the Board NOTE the sustainability engagement plan.

Material presented

- Board meeting summary paper
- Illustrative assurance report

Appendix

Topics (working title)	Format (based on international or internally produced)	Date
Sustainability assurance – fundamental principles		July 2026
Fundamental principles and concepts of sustainability	IAASB webinar	
Highlight of extracts from first time adoption guide to assist transition from ISAE (NZ) 3410 to ISSA (NZ) 5000	IAASB guidance	
Ethics and Independence		August 2026
Key topics in the IESSA	IESBA Webinar	
Guide to the Code	IESBA content	
Evidence		September 2026
Engagement planning, risk assessment and response	Webinar (IAASB)	
Assurance evidence Consideration of fraud	IAASB guidance	
In-person practitioner workshop	In-person event	
Ethics and independence		October 2026
Key Differences between IESSA and Parts 1 - 4 A of the Code	IESBA Guidance	
Long-association and rotation	IESBA FAQs	
Sustainability assurance		November 2026
Materiality	IAASB FAQs and domestic clarification	
Sustainability assurance		February 2027
Working with others	IAASB guidance	
Ethics and independence		March 2027
Value chain independence		

Illustration of an unmodified limited assurance report on Greenhouse Gas disclosures within climate statements

This guidance provides an example assurance report over Greenhouse Gas emissions disclosures to meet the requirements of the Financial Markets Conduct (FMC) Act 2013, when the assurance engagement is performed in accordance with International Standard on Sustainability Assurance (New Zealand) 5000, *General Requirements for Sustainability Assurance Engagements (ISSA (NZ) 5000)*. ISSA (NZ) 5000 is required for accounting periods beginning on or after 15 December 2026.

The illustration will need to be tailored to the circumstances. It is for illustrative purposes only and is not intended to be exhaustive or applicable to all situations.

For illustrative assurance reports performed in accordance with NZ SAE 1, *Assurance over Greenhouse Gas Disclosures*, please refer to our previously issued [guide](#).

For purposes of this illustrative assurance report, the following circumstances are assumed:

- A limited assurance engagement relating to the GHG emissions disclosures (the GHG Disclosures) of CRE Company (the Company), an FMC reporting entity considered to have a higher level of public accountability, for the year ended December 31, 20X1.
- The GHG Disclosures are prepared in accordance with Aotearoa New Zealand Climate Standards issued by the External Reporting Board.
- The conclusion is expressed to acknowledge the fair presentation of GHG Disclosures.
- The GHG Disclosures are prepared by management in accordance with the measurement criteria applied by CRE Company (for example The Greenhouse Gas Protocol: *A Corporate Accounting and Reporting Standard* or ISO 14064-1: Greenhouse gases — Part 1: *Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals*).
- The GHG Disclosures include comparative information that is not referred to in the practitioner's conclusion. The comparative information was subject to a limited assurance engagement by the same practitioner in the prior period and the conclusion was unmodified.
- Those charged with governance of the CRE Company are the engaging party.
- The terms of the assurance engagement reflect the description of those charged with governance's responsibility for the GHG Disclosures in ISSA (NZ) 5000.
- The practitioner has concluded that an unmodified (i.e., "clean") conclusion is appropriate based on the evidence obtained.
- The relevant ethical requirements that apply to the assurance engagement comprise Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*.
- The firm of which the practitioner is a member applies Professional and Ethical Standard 3, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*.
- The GHG Disclosures and the practitioner's report thereon have been included in the Climate Statements of the Company in a stand-alone document. The practitioner has

obtained the Climate Statements prior to the date of the assurance report and has not identified a material misstatement of the other information in the Climate Statements.

INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT ON CRE'S GHG DISCLOSURES

To the Shareholders of CRE [or Other Appropriate Addressee]

Limited Assurance Conclusion

We have conducted a limited assurance engagement on the gross GHG emissions, additional required disclosures of gross GHG emissions, and gross GHG emissions methods, assumptions and estimation uncertainty presented on pages [x]-[y] in the Climate Statements of CRE (the "Company") for the year ended December 31, 20X1 (hereinafter the "GHG Disclosures").

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the accompanying GHG Disclosures are not fairly presented, in all material respects, in accordance with [measurement criteria *include reference to relevant framework for example The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard or ISO 14064-1: Greenhouse gases — Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals, etc*] and Aotearoa New Zealand Climate Standards issued by the External Reporting Board.

Basis for Conclusion

We conducted our limited assurance engagement in accordance with International Standard on Sustainability Assurance (New Zealand) 5000, *General Requirements for Sustainability Assurance Engagements (ISSA (NZ) 5000)*, issued by the New Zealand Auditing and Assurance Standards Board.

The procedures in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our responsibilities under this standard are further described in the *Practitioner's Responsibilities* section of our report.

We are independent of the Company in accordance with Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, as applicable to the sustainability assurance engagements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with Professional and Ethical Standard 1.

Our firm applies Professional and Ethical Standard 3, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management, including policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

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, 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.]

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Emphasis of Matter¹

We draw attention to [identify the specific disclosure in the GHG Disclosures], which describes [...]. Our conclusion is not modified in respect of this matter.

Other Information²

The directors³ of the Company are responsible for the other information. The other information comprises the information included in the Company's Climate Statements other than the GHG Disclosures subject to assurance and our assurance report thereon.

Our opinion on the GHG Disclosures does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our assurance engagement on the GHG Disclosures, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the GHG Disclosures or our knowledge obtained in the assurance engagement, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities for the GHG Disclosures

The directors of the Company are responsible for⁴:

- The preparation and fair presentation of the GHG Disclosures in accordance with [measurement criteria: *include reference to relevant framework for example The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard or ISO 14064-1: Greenhouse gases — Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals, etc*] and Aotearoa New Zealand Climate Standards issued by the External Reporting Board.
- Designing, implementing and maintaining such internal control that the directors determine is necessary to enable the preparation of the GHG Disclosures, in accordance with [measurement criteria: *include reference to relevant framework for example The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard or ISO 14064-1: Greenhouse gases — Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals, etc*] and Aotearoa New Zealand Climate Standards issued by the External Reporting Board, that is free from material misstatement, whether due to fraud or error.

¹ Include if the practitioner considers it necessary in the engagement circumstances – see paragraph 199 of ISSA (NZ) 5000.

² Another appropriate heading may be used, such as “Information Other than the GHG Disclosures and Limited Assurance Report Thereon.”

³ The term directors may need to be replaced by another term that is appropriate in the context of the legal framework for the entity.

⁴ The term directors may need to be replaced by another term that is appropriate in the context of the legal framework for the entity.

Inherent Limitations in Preparing the GHG Disclosures⁵

Greenhouse gas emissions quantification relating to [*identify source of emissions*] is subject to significant measurement uncertainty, which arises because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases. The comparability of GHG Disclosures between entities and over time may be affected by inconsistencies in the methods to estimate or measure those emissions, due to different, but acceptable, methods applied.

[If applicable, identify the specific disclosure in the GHG Disclosures, and provide specific description of any significant inherent limitations associated with the measurement or evaluation of greenhouse gas emissions].

Practitioner's Responsibilities

Our objectives are to plan and perform the assurance engagement to obtain limited assurance about whether the GHG Disclosures are free from material misstatement, whether due to fraud or error, and to issue a limited assurance report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the GHG Disclosures.

As part of a limited assurance engagement in accordance with ISSA (NZ) 5000, we exercise professional judgement and maintain professional scepticism throughout the engagement. We also:

- Perform risk assessment procedures, including obtaining an understanding of internal control relevant to the engagement, to identify and assess the risks of material misstatements, whether due to fraud or error, at the disclosure level but not for the purpose of providing a conclusion on the effectiveness of the entity's internal control.
- Design and perform procedures responsive to assessed risks of material misstatement at the disclosures level. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Summary of the Work Performed

A limited assurance engagement involves performing procedures to obtain evidence about the GHG Disclosures. The nature, timing and extent of procedures selected depend on professional judgement, including the assessed risks of material misstatement at the disclosures level, whether due to fraud or error.

In conducting our limited assurance engagement, we:

[Insert a summary of the nature and extent of procedures performed that, in the practitioner's judgement, provides additional information that may be relevant to the users' understanding of the work performed to support the practitioner's conclusion and the level of assurance obtained.]⁶

⁵ Include paragraph if relevant to the engagement circumstances – see paragraph 190(g) of ISSA (NZ) 5000.

⁶ The procedures are to be summarised but not to the extent that they are ambiguous, nor described in a way that is overstated or embellished or that implies that reasonable assurance has been obtained. It is important that the description of the procedures does not give the impression that those procedures were agreed upon by the assurance practitioner with management and in most cases will not detail the entire work plan.

The engagement leader on the assurance engagement resulting in this independent practitioner's assurance report is [*name*].

[*Signature in the name of the assurance firm, the personal name of the assurance practitioner, or both, as appropriate*]

[*Practitioner's address*]

[*Date of the limited assurance report*]

NZAuASB Board meeting summary paper

Meeting date: 10 June 2026
Subject: **Post Implementation Review: NOCLAR**
Date: 26 May 2026
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 for the Board to APPROVE the NZAuASB response to the IESBA Post-Implementation Review (PIR) Survey *Responding to Non-Compliance with Laws and Regulations (NOCLAR®)* (the survey).

Background

2. The IESBA issued the survey on 1 April 2026. The survey closes on 30 July 2026.
3. The NZAuASB had a preliminary discussion on the PIR at the April Board meeting.
4. We created a consultation page on our website and added the IESBA's survey on 9 April 2026. The closing date is 3 June given the joint virtual roundtable we are holding with the Accounting Professional and Ethical Standards Board (APESB) in Australia. We have advertised the consultation on LinkedIn and in Assurance Alerts. We also sent targeted invitations to stakeholders to attend the joint roundtable.
5. The accompanying NZAuASB response has been informed by:
 - (a) the discussion at the April Board meeting
 - (b) discussions with the regulators
 - (c) reflections from the discussions at the Stakeholder Advisory Council meeting and jurisdictional standard setters meetings held in Madrid in April 2026 (see the paper in the Board pack for JSS report and SAC Meeting Highlights)
 - (d) staff knowledge of the challenges in applying the Code, based on feedback received during various consultations, including the sustainability revisions to the Code.

Status of the response

6. A virtual roundtable has been organised jointly with the APESB. The roundtable will take place on 3 June 2026. To date, about 50 stakeholders are registered. This draft response was prepared before this event.
7. During the Board meeting, we will:
 - (a) update the Board on the feedback heard during the roundtable

- (b) inform the Board of any updates or changes we consider are needed.

Matters to consider

Matters included in the response

8. The key messages that staff consider we should emphasise in the XRB response include:
- The effectiveness of NOCLAR provisions is not visible, because most NOCLAR matters are addressed when discussed with management or those charged with governance.
 - NOCLAR circumstances are not encountered very often; however, when they do arise, they can be highly stressful for practitioners, and the framework is useful in guiding them through these situations.
 - There is uncertainty about what is meant by “*clearly inconsequential*” and whether this concept is being applied appropriately.
 - It may be challenging to assess whether a NOCLAR matter results in “*substantial harm*”.
 - Assurance practitioners are unsure about the extent of knowledge required in relation to laws and regulations affecting their clients.
 - The drafting style of some NOCLAR provisions may make it difficult to identify nuances between different requirements, which could lead to inconsistent application.
 - There is a perception that expectations placed on auditors in relation to NOCLAR have increased.

Recommendations

9. As there are no further NZAuASB meetings before the survey closes, we recommend the Board APPROVE the NZAuASB response (subject to changes resulting from the roundtable, as presented by staff during the meeting) and delegate final sign-off to the Chair.

Material presented

- Board meeting summary paper
- NZAuASB response to the survey.
- Supplementary paper: the questions from the IESBA’s survey nor relevant for a standard setter



IESBA Post-Implementation Review (PIR) Survey

Responding to Non-Compliance with Laws and Regulations (NOCLAR®)

Introduction

This survey is only applicable to respondents that have adopted or use or benefit from the [Responding to Non-Compliance with Laws and Regulations \(NOCLAR\)](#) provisions in the [International Code of Ethics for Professional Accountants \(including International Independence Standards\)](#) (the Code). Sections 5260 and 5360 as contained in the [International Ethics Standards for Sustainability Assurance \(including International Independence Standards\)](#) (IESSA), and conforming amendments to Sections 260 and 360 arising from the development of the IESSA, are outside the scope of this survey and only become effective in December 2026.

1. The International Ethics Standards Board for Accountants (IESBA) is conducting a post-implementation review (PIR) of the NOCLAR provisions in Sections 260 and 360 of the Code.
2. This survey seeks to obtain input from a broad range of stakeholders to enable the IESBA to determine:
 - (a) Whether the NOCLAR provisions have achieved their intended purpose by identifying:
 - (i) Benefits from applying the provisions; and
 - (ii) Any practical challenges or questions regarding their implementation, including whether they are being consistently understood and applied; and
 - (b) What actions, if any, are needed by the IESBA to address identified matters.
3. The responses received will be analyzed for purposes of providing feedback to the IESBA and in developing recommendations for any actions.
4. Recognizing that some respondents may wish to discuss certain NOCLAR or NOCLAR-related matters on a confidential basis instead of documenting them in writing when responding to this survey, respondents are welcome to reach out to the IESBA Project Team (email jeanneviljoen@ethicsboard.org and kamleung@ethicsboard.org) to discuss such matters confidentially. In such circumstances, respondents are requested to discuss the matters on an anonymized basis.
5. The survey comment period starts on April 1 and ends on July 30.

Survey Responses to be Made Public

6. Unless confidentiality is specifically requested, respondents' submissions will be considered a matter of public record and will be posted to the IESBA's website. Where confidentiality is requested, respondents are nonetheless requested to provide any detailed input on an anonymized basis.
7. Some questions ask for details, examples or sharing of relevant reports or materials. Respondents are requested to provide such information on an anonymized basis.

Survey Instructions

8. Respondents to the survey are asked to provide their responses only on the questions applicable to

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the stakeholder group to which they belong:

- [Part A](#) — Demographic Information (All Respondents)
 - [Part B](#) — Jurisdictional Standard Setters (JSS)
 - [Part C](#) — Professional Accountancy Organizations (PAOs)
 - [Part D](#) — Regulators or Oversight Bodies
 - [Part E](#) — Accounting Firms or Individual Professional Accountants in Public Practice (PAPPs)
 - [Part F](#) — Professional Accountants in Business (PAIBs)
 - [Part G](#) — Other Users or Beneficiaries of the Code
9. Respondents may respond to all questions or only selected questions or matters. All responses to this survey, whether complete or partial, will be accepted and considered as input for the IESBA Project Team's analysis.

Overview and Key Intended Outcomes of the IESBA NOCLAR Provisions

10. The IESBA NOCLAR provisions establish a response framework to guide auditors, other PAPPs, and PAIBs in deciding how best to act in the public interest when they become aware of NOCLAR or suspected NOCLAR.
11. NOCLAR is any act of omission or commission, intentional or unintentional, committed by a client or employer, or by those charged with governance (TCWG), by management or by other individuals working for or under the direction of a client or employer which is contrary to the prevailing laws or regulations.
12. For a more detailed overview of the NOCLAR provisions of the Code, please access the following link [here](#).
13. Key intended outcomes of the NOCLAR provisions in the public interest include:
- Ensuring that PAs respond in a timely way to identified or suspected NOCLAR.
 - Rectifying, remediating, or mitigating the adverse consequences of identified or suspected NOCLAR to stakeholders and the general public.
 - Deterring the commission of NOCLAR.
 - Stimulating increased reporting of identified or suspected NOCLAR where required by law or regulation, or where determined appropriate under the Code in the public interest.

Part A – Demographic Information (All Respondents)

1. Please indicate if you are responding as an individual or on behalf of your organization?
- (a) If you are responding as an individual:
- (i) Please indicate your jurisdiction
- (ii) Approximate years of professional experience:
- Less than 5 years

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- 5–10 years
- 11–20 years
- More than 20 years

(b) If you are responding on behalf of your organization, please indicate the jurisdictional profile which best represents your situation, i.e., from which jurisdictional perspective are you providing your responses?

- Global
- Regional (*Please specify*)
- Multiple jurisdictions (*Please specify*)
- **Single jurisdiction (*Please specify*)**

[New Zealand](#)

2. Please indicate the stakeholder category to which you belong, i.e., from which perspective are you providing your responses? *If you or your organization has one or more roles (e.g., JSS and Regulator), please respond to all relevant parts of the survey.*

- **JSS (Complete Part B) (*Please indicate the users of your standards as a JSS, e.g., individual PAPPs, professional accountants in business (PAIBs) and/or accounting firms (including audit firms)*)**

The New Zealand Auditing and Assurance Standards Board (NZAuASB) acting under delegated authority from the External Reporting Board issues auditing, assurance and professional and ethical standards for assurance practitioners in New Zealand. Historically, the NZAuASB standards were intended only for assurance practitioners, performing assurance engagements, that are members of associations of professional accountants in New Zealand. However, with the introduction of mandatory climate reporting and greenhouse gas disclosures assurance, the NZAuASB standards apply to other assurance practitioners, including non-accountants.

- PAOs (**Complete Part C**) (*Please indicate whether your members are PAPPs and/or PAIBs*)
- Regulators or oversight bodies (**Complete Part D**) (*Please indicate which of the following you regulate or oversee (select all that apply): PAPPs (including auditors), PAIBs, accounting firms (including audit firms), none of the above*)
- Accounting firms and individual PAPPs (**Complete Part E**)
- PAIBs (**Complete Part F**)
- Other users or beneficiaries of the Code (*Please specify*) (e.g., investors or other users of financial statements, those charged with governance, academics) (**Complete Part G**)

3. Please provide the following information (*Personal information will not be made public and will only be used by the Project Team to follow up if clarification on your responses is needed*):

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- Your organization's name, if any (if you are responding on behalf of an organization¹)
External Reporting Board
- Your name and job title / role
Anna Herlender, Project Manager
- Your email address
anna.herlender@xrb.govt.nz
- Your jurisdiction
New Zealand

¹ If you respond on behalf of a global organization, the jurisdiction (or name of the country) in which you work. If you are responding on behalf of a global organization, please indicate "Global" as your jurisdiction.

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Part B – Jurisdictional Standard Setters (JSS)**Adoption status and effective date***Note:*

Adoption (full or with modifications) refers to the formal acceptance and incorporation of the IESBA standards into a jurisdiction's national laws, regulations or professional requirements.

Convergence is where a jurisdiction aligns its national ethics (including independence) standards or provisions with the IESBA standards through a process that seeks to eliminate or minimize differences between the IESBA and national standards or provisions. This includes a process where an IESBA standard is used as a basis to develop the local standard or provisions.

4. Has your organization adopted the NOCLAR provisions of the Code (IESBA NOCLAR provisions)?
(Please choose the most representative answer)

- (a) Yes, through full adoption with no modifications (Please provide (i) information on the effective date, and (ii) links to the local NOCLAR provisions or the specific announcement of the adoption or issuance of the local NOCLAR provisions)
- (b) **Yes, through adoption with modifications (Please (i) describe the nature of, and reasons for, the modifications, (ii) provide information on the effective date, and (iii) provide links to the local NOCLAR provisions or the specific announcement of the adoption or issuance of the local NOCLAR provisions)**

The NZAuASB included the NOCLAR provisions in Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1)* in August 2016 with the effective date 15 July 2017.

The New Zealand modifications to the NOCLAR provisions in PES 1 relate to:

- requirements of section 360 that apply to audits of financial statements in the IESBA Code have been broadened to apply to audit and review engagements in PES 1
- references to professional accountants are replaced with references to assurance practitioners, because PES 1 is intended to be applied by assurance practitioners

Initially, in August 2016, the NZAuASB expanded the NOCLAR provisions that apply to audits of financial statements to all assurance engagements. The NZAuASB considered it would be appropriate for all assurance engagements to follow the same framework for dealing with non-compliance with laws and regulations regardless of the subject matter. It was considered that the additional requirements for assurance engagements, other than audit of financial statements, are not overly onerous, they would enhance the quality of the assurance practitioner's response, and would be more consistent with the requirements of the other assurance standards and the expectations of the users of assurance reports. These modifications simplified the

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Code by making the requirements consistent for all assurance engagements (as applicable), and reducing repetition.

When the new restructured Code of Ethics was considered by the NZAuASB in August 2018, the New Zealand modifications to the NOCLAR requirements were reconsidered. In December 2018 the provisions that apply to other assurance engagements were aligned with the provisions in the IESBA Code.

However, it was reaffirmed that the requirements that apply to audits should apply to review engagements. The NZAuASB considered this appropriate for New Zealand context, because certain registered charities can elect to have the financial statements reviewed instead of audited. The NZAuASB was of the view that it would be in the public interest for the assurance practitioner to respond in the same manner to an identified or suspected NOCLAR regardless of whether they were engaged to audit or review the financial statements.

- (c) No, but the local NOCLAR provisions are converged with the IESBA NOCLAR provisions *(Please (i) provide information on the effective date, (ii) provide links to the local NOCLAR provisions or the specific announcement of the issuance of the local NOCLAR provisions, and (iii) describe any significant differences between the local NOCLAR provisions and the IESBA NOCLAR provisions)*
- (d) No, there are provisions in relevant law or regulation or a different ethical framework that address NOCLAR *(Please describe any significant differences between the relevant law or regulation or ethical framework and the IESBA NOCLAR provisions)*
- (e) Not adopted *(Please specify reasons. If there is a plan to adopt the IESBA NOCLAR provisions, please provide details, including timing)*

If you have answered (a), (b) or (c), were the IESBA NOCLAR provisions translated into the local NOCLAR provisions? If yes, please indicate the language of translation.

Guidance and educational materials

5. What guidance or educational materials has your organization issued, or what programs has your organization developed, to support understanding of the local NOCLAR provisions in your jurisdiction? *(Select all that apply and provide links)*
 - Technical guidance (e.g., FAQs)
 - Education/training programs (e.g., webinars, CPD programs)
 - Articles, publications or newsletters (e.g., updates about standards, case studies or illustrative examples)
 - **Other *(Please specify)***

Together with amendments to the Code relating to NOCLAR, we issued [Explanation for Decision Made](#) which includes reasons for New Zealand modifications.
 - None

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Other support

6. Does your organization provide guidance to individual professional accountants, accounting firms, or other users of your standards in the application of the local NOCLAR provisions if they seek such assistance, e.g., in dealing with a NOCLAR matter? (*Select all that apply*)

- Ethics hotline or equivalent (e.g., for technical queries)
- Discussion forum (e.g., for sharing knowledge)
- Whistleblower hotline (e.g., to report actual or suspected NOCLAR)
- **Other (*Please specify*)**

The XRB does not provide advice. However, we respond to enquiries by referring assurance practitioners to the relevant paragraphs in the Code and discussing provisions that may be unclear.

- None

Inquiries and questions

7. Which specific provisions in the local NOCLAR provisions has your organization commonly received inquiries or questions about? (*Please provide details, including from which stakeholder groups the inquiries or questions arose*)

We have not received common enquiries relating to the NOCLAR provisions in the Code.

Level of understanding

8. Do users of your organization's standards have an overall understanding of the local NOCLAR provisions? (*Please explain the basis for your response, including how your organization evaluates the overall understanding of the local NOCLAR provisions by users of your standards*)

- Yes
- Somewhat
- No
- **Not known or no data available**

We believe so. We have heard the NOCLAR provisions referenced at various events. We have not received any specific queries relating to NOCLAR. However, as a standard setter we do not have a role in enforcing the requirements.

Legal protection

9. In your jurisdiction, does legislation or regulation exist (e.g., under whistleblowing laws or regulations) that provides protection from civil, criminal or professional liability, or from retaliation, when NOCLAR or suspected NOCLAR is disclosed to an appropriate authority? Please provide details.

If yes, is the protection under the relevant law or regulation perceived to be effective? Please explain

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your response.

New Zealand legislation provides protection when NOCLAR is reported

In New Zealand, the Protected Disclosures (Protection of Whistleblowers) Act 2022 (the Act) provides protection from civil, criminal, and professional (disciplinary) liability, and retaliation and victimisation, when serious wrongdoing is disclosed in good faith to an appropriate authority (or through proper internal channels).

The local law is perceived to be effective

We have not identified specific cases where non-compliance with laws and regulations was reported to an appropriate authority. Based on what we heard, the auditors in New Zealand seem to feel protected if they needed to report on non-compliance with laws and regulations. Therefore, we believe that the Act is perceived to be effective.

Observed outcomes (benefits and challenges)

10. Has your organization observed any trend in instances of NOCLAR reported or escalated?

If so, please describe the trend and indicate the period for which this trend has been observed, as well as the general nature of the NOCLAR commonly observed.

No direct visibility of trends

We do not have any specific observations regarding trends in NOCLAR reporting or escalation. As the jurisdictional standard setter, NOCLAR would not be reported or escalated to us. In addition, because NOCLAR may be reported to different authorities depending on the nature of the matter, trends and instances are difficult to identify and track.

Reporting NOCLAR to authorities is very rare

We have heard that reporting NOCLAR to an appropriate authority would arise only in rare circumstances. The ethical culture of management and those charged with governance is considered during client acceptance phase of the audit. When NOCLAR is encountered, it is usually addressed after being raised with management or those charged with governance. As a result, the process typically remains internal and is not visible externally.

11. Based on your organization's observations, has the application of the local NOCLAR provisions been effective in deterring the commission of NOCLAR, or rectifying, remediating or mitigating the consequences of NOCLAR? *(Please explain the basis for your response and provide any relevant details, including any supporting materials or reports)*

Limited direct evidence on effectiveness of NOCLAR

We do not have sufficient evidence to comment on this question.

NOCLAR framework is helpful for assurance practitioners

We have heard that the framework is useful for assurance practitioners. Situations involving actual or suspected NOCLAR do not arise frequently in New Zealand, but when they do,

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they can be stressful and difficult to navigate. In those circumstances, the framework helps practitioners work through the steps they need to take.

12. Has your organization observed any challenges in the application of the local NOCLAR provisions? *(Please provide details, including specific provisions that caused particular challenges and why, as well as any actions taken to address them)*

While the NOCLAR framework is helpful for practitioners dealing with NOCLAR, we have heard the following concerns about its application:

The concept of clearly inconsequential might be misused

We have heard some concern that the “clearly inconsequential” threshold could be misused in practice. If a matter is judged to be clearly inconsequential at an early stage, assurance practitioners are not required to apply the framework and may not seek to obtain fuller understanding of the matter. This creates a risk that matters may be dismissed too early, before sufficient information is obtained to assess whether they involve NOCLAR. As a result, actual or suspected NOCLAR may not be recognised and the framework may not be applied when it should be.

Assessing substantial harm can be difficult

We have also heard that, especially at an early stage, it may be difficult to determine whether NOCLAR will result in substantial harm. For example, an environmental or health and safety breach may have a greater impact over time if it is not rectified. As a result, assurance practitioners may spend significant time on NOCLAR considerations, which can extend beyond what would typically be expected in an audit of financial statements.

Auditors are unclear about the level of knowledge required

We acknowledge that paragraph 360.10.A2 clarifies that the assurance practitioner is not expected to have a level of knowledge of laws and regulations greater than what is required to undertake the engagement and that whether a matter constitutes non-compliance is ultimately determined by the courts. However, we have heard concerns from assurance practitioners that the required level of knowledge is still unclear in practice. As businesses become more complex and more heavily regulated, assurance practitioners have expressed concerns that it is increasingly more difficult to keep up with all relevant laws and regulations affecting their clients. This is particularly challenging in areas such as financial-related crimes, which often originate in other jurisdictions where different legislation may apply.

Repetitions make it difficult to understand key nuances

We have heard that the NOCLAR requirements for different types of engagements can appear very similar. This can require readers to compare provisions in detail to identify the differences. In our view, the key nuances are not always clear and could be inadvertently overlooked. For example, requirements R360.31, R360.32 and R360.33 look very similar. The distinction between “shall communicate” in R360.31 and “shall consider whether to communicate” in R360.32 and R360.33 is not obvious. While the reasons behind these provisions are explained in the Basis for Conclusion, they are not clearly explained in the Code or in non-authoritative materials.

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13. Has your organization observed any trends where professional accountants or accounting firms encountered NOCLAR or suspected NOCLAR but did not apply the local NOCLAR provisions in whole or in part?

- Yes, the provisions were not applied in whole (*Please explain why the provisions were not applied (e.g., lack of evidence for suspected NOCLAR, confidentiality issues, etc.)*)
- Yes, the provisions were only partially applied (*Please explain which provisions were not applied and why (e.g., lack of evidence for suspected NOCLAR, confidentiality issues, etc.)*)

- **No, not observed**

The XRB, as a standard setter, does not enforce the standards, and we have not heard of examples where the local provisions were not applied.

Other comments

14. From your perspective, what further efforts should IESBA pursue to enhance the effectiveness of implementation of the IESBA NOCLAR provisions globally? (*Please explain your response*)

Additional guidance outside the Code could be helpful

In our view, the challenges described in question 12 could be addressed by issuing non-authoritative guidance outside the Code. To help practitioners navigate the provisions, the IESBA could:

- explain the reasons behind the various provisions and nuances (for example why in some cases assurance practitioners “shall communicate” and in other “shall consider to whether to communicate”)
- provide examples that demonstrate how the framework can be applied in more complex situations
- use plain English to explain the technical concepts used in the Code.

15. Do you have any other comments or specific matters the IESBA should consider as part of this PIR on the IESBA NOCLAR provisions (including on any benefits arising from using the local NOCLAR provisions, or on matters of translation)?

NOCLAR provisions increase the expectations on auditors

We acknowledge that paragraph 360.8.A1 explains that the responsibility for ensuring that the client’s activities comply with laws and regulations sits with management with oversight of those charged with governance. However, this application material does not sufficiently address the perception gap. We have heard that NOCLAR provisions increase the expectations on auditors. We encourage the IESBA to consider whether additional non-authoritative material could be issued to clarify the roles of the various parties in relation to NOCLAR and help to address this perception gap.

NZAuASB Board meeting summary paper

Meeting date: 10 June 2026
Subject: **Post Implementation Review: Structure of the IESBA Code**
Date: 27 May 2026
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 for the Board to APPROVE the NZAuASB response to the IESBA Post-Implementation Review (PIR) Survey *Structure of the IESBA Code* (the survey).

Background

2. The IESBA issued the survey on 1 April 2026. The survey closes on 3 July 2026.
3. The NZAuASB had a preliminary discussion on the PIR at the April Board meeting. In April, the NZAuASB agreed that a light touch approach to stakeholder engagement was appropriate for the restructured Code.
4. We have created a consultation page on our website and added the IESBA's survey on 9 April 2026. Originally, our consultation was until the end of May to inform the development of these papers, however we extended it to 3 June to accommodate a joint virtual roundtable we are holding with the Accounting Professional and Ethical Standards Board (APESB) in Australia. We have advertised the consultation on LinkedIn and in Assurance Alerts. We also sent targeted invitations to stakeholders to attend the joint roundtable.
5. The accompanying draft response has been informed by:
 - (a) the discussion at the April Board Meeting
 - (b) discussions with the regulators
 - (c) reflections from the discussions at the Stakeholder Advisory Council meeting and jurisdictional standard setters meeting held in Madrid in April 2026 (see agenda items 3.3 and 3.4)
 - (d) staff knowledge of the challenges in applying the Code, based on feedback received during various consultations, including the sustainability revisions to the Code.

Status of the response

6. A virtual roundtable has been organised jointly with the Accounting Professional and Ethical Standards Board (APESB) in Australia. The roundtable will take place on 3 June 2026. To

date, about 50 stakeholders are registered. This draft response does not incorporate feedback from roundtable participants.

7. During the Board meeting, we will:
 - (a) update the Board on the feedback heard during the roundtable
 - (b) inform the Board of any updates or changes we consider are needed to the draft response.

Matters to consider

8. The key messages that we consider we should emphasise in the XRB response include:
 - (a) Acknowledgement that:
 - the building block approach is helpful
 - differentiation between requirements (paragraphs with “R”) and application material (paragraphs with “A”) increases clarity
 - compared with previous versions, the restructured Code uses more active language and shorter sentences.
 - (b) Concerns regarding the length:
 - Difficult for users to navigate. Most assurance practitioners do not read the Code regularly; instead they refer to it when dealing with ethical challenges. In addition, many assurance practitioners are uncertain whether they have found all relevant provisions that apply in their specific circumstances and consider that the language is hard to understand.
 - Difficult for the standard setter to maintain. During the sustainability-related revisions to the Code, we found that adding additional parts to an already lengthy document is challenging and is impacting the stability of the document.
 - (c) Concerns regarding complexity:
 - Sentences in some sections are still very long. The combination of long sentences and technical language means few people fully understand the Code. Assurance practitioners need to rely on a small number of experts within their firms who understand the nuances of the provisions.
 - There is a significant amount of repetition throughout the Code. This creates confusion when trying to understand differences between provisions.

Recommendations

9. As there is no further Board meeting before the survey closes, we recommend the Board APPROVE the NZAuASB response (subject to changes resulting from the roundtable, as presented by staff during the meeting) and delegate final sign-off to the Chair.

Material presented

- Board meeting summary paper
- Draft response to the survey



IESBA Post-Implementation Review (PIR) Survey

Structure of the IESBA Code

Introduction

This survey is only applicable to respondents that have adopted or use or benefit from the 2018 or later edition of the [International Code of Ethics for Professional Accountants \(including International Independence Standards\)](#) (the Code). Part 5 of the Code as contained in the [International Ethics Standards for Sustainability Assurance](#) (IESSA) is outside the scope of this survey and only becomes effective in December 2026.

1. The International Ethics Standards Board for Accountants (IESBA) is conducting a post-implementation review of the structure and drafting of the Code.
2. This survey seeks to obtain input from a broad range of stakeholders to enable the IESBA to determine:
 - (a) Whether the restructuring of the Code through revising its structure and redrafting its provisions¹ has achieved its intended purpose by identifying:
 - (i) Benefits from the restructuring of the Code; and
 - (ii) Any practical challenges or questions regarding the understandability and usability of the Code, including whether it is being consistently understood and applied; and
 - (b) What actions, if any, are needed by the IESBA to address identified matters.
3. The responses received will be analyzed for purposes of providing feedback to the IESBA and in developing recommendations for any actions.
4. The survey comment period starts on April 1 and ends on July 3.

Survey Responses to be Made Public

5. Unless confidentiality is specifically requested, respondents' submissions will be considered a matter of public record and will be posted to IESBA's website. Where confidentiality is requested, the IESBA Project Team will include such input in its analysis on an anonymized basis.

Survey Instructions

6. Respondents to the survey are asked to provide their responses only on the questions applicable to the stakeholder group to which they belong:
 - [Part A](#) — Demographic Information (All Respondents)
 - [Part B](#) — General Information (All Respondents)
 - [Part C](#) — Usability and Clarity of Language and Responsibility (All Respondents)

¹ The restructured Code was [issued](#) in April 2018.

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- [Part D](#) — Clarity of Responsibility (Individual Professional Accountants in Public Practice, Accounting Firms, Regulators or Oversight Bodies, Professional Accountancy Organizations)
7. Respondents may respond to all questions or only selected questions or matters. All responses to this survey, whether complete or partial, will be accepted and considered as input for the IESBA Project Team’s analysis.
 8. Please read the overview of the structure and drafting enhancements which can be accessed [here](#). The drafting guidelines that were adhered to in restructuring the IESBA Code can be accessed [here](#).

Part A – Demographic Information (All Respondents)

9. Please indicate if you are responding as an individual or on behalf of your organization?
 - (a) If you are responding as an individual:
 - (i) Please indicate your jurisdiction
 - (ii) Approximate years of professional experience:
 - Less than 5 years
 - 5–10 years
 - 11–20 years
 - More than 20 years
 - (b) If you are responding on behalf of your organization, please indicate the geographical profile which best represents your situation, i.e., from which geographical perspective are you providing your responses?
 - Global
 - Regional (*Please specify*)
 - Multiple jurisdictions (*Please specify*)
 - **Single jurisdiction (*Please specify*)**

[New Zealand](#)

10. Please indicate the stakeholder group to which you belong, i.e., from which perspective are you providing your responses?
 - **Jurisdictional standard setters (JSS) (*Please indicate the users of your standards as a JSS, e.g., individual Professional Accountants in Public Practice (PAPPs), professional accountants in business (PAIBs) and/or accounting firms*)**

The New Zealand Auditing and Assurance Standards Board (NZAuASB) acting under delegated authority from the External Reporting Board issues auditing, assurance and professional and ethical standards for assurance practitioners in New Zealand. Historically, the NZAuASB standards were intended only for assurance practitioners, performing assurance engagements, that are members of associations of professional accountants in New Zealand. However, with the introduction of mandatory climate

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reporting and greenhouse gas disclosures assurance, the NZAuASB standards apply to other assurance practitioners, including non-accountants.

- Professional accountancy organizations (PAOs) *(Please indicate whether your members are PAPPs and/or PAIBs)*
- Regulators or oversight bodies *(Please indicate which of the following you regulate or oversee (select all that apply): PAPPs (including auditors), PAIBs, accounting firms (including audit firms), none of the above)*
- Individual professional accountants in public practice (PAPPs) and accounting firms
- Professional accountants in business (PAIBs)
- Other users or beneficiaries of the Code (Please specify) (e.g., investors or other users of financial statements, those charged with governance, academics)

11. Please provide the following information and other contact information:

- Your organization's name, if any (if you are responding on behalf of an organization²)

External Reporting Board

- Your name and job title / role

Anna Herlender, Project Manager

- Your email address

anna.herlender@xrb.govt.nz

- Your jurisdiction

New Zealand

² If you respond on behalf of a global organization, the jurisdiction (or name of the country) in which you work. If you are responding on behalf of a global organization, please indicate "Global" as your jurisdiction.

Part B – General Information (All Respondents)

The revised structure and redrafted provisions of the IESBA Code from the Structure Project were integrated into the 2018 Revised and Restructured IESBA Code (Restructured Code).

Other revisions which were concurrently developed were integrated into the 2018 Restructured Code. Subsequent new or revised standards which were incorporated into later editions of the Code have all been structured and drafted consistently with the enhancements made in the Structure Project.

Accordingly, the following questions seek to understand the adoption status of the Restructured Code (2018 edition and onwards) in respondents' jurisdictions, relevant educational materials and guidance that have been issued or used by respondents, and the inquiries or questions related to the structure and drafting of the Restructured Code that have been commonly received or experienced by respondents.

Note:

In this survey, adoption (full or with modifications) refers to the formal acceptance and incorporation of the IESBA standards into your jurisdiction's national laws, regulations or professional requirements.

Convergence is where a jurisdiction aligns its national ethics (including independence) standards or provisions with the IESBA standards through a process that seeks to eliminate or minimize differences between the IESBA and national standards or provisions. This includes a process where an IESBA standard is used as a basis to develop the local standard or provisions.

Adoption status (Only for respondents that are JSS, PAOs, Regulators or Oversight Bodies, Individual PAPPs or Accounting Firms)

12. Has your jurisdiction adopted the Restructured Code (2018 edition and onwards)? *(Please choose the most representative answer)*
- (a) Yes, through full adoption with no modifications of the Code *(Please (i) specify the latest edition of the IESBA Code that has been adopted, e.g., 2018, 2024, etc., and (ii) provide the links to the local Code or the specific announcement of the adoption or issuance of the local Code)*
 - (b) **Yes, through adoption with modifications *(Please (i) specify the latest edition of the IESBA Code that has been adopted, e.g., 2018, 2024, etc.; (ii) describe the nature and reasons for the modifications; and (iii) provide links to the local Code or the specific announcement of the adoption or issuance of the local Code)***

The External Reporting Board issued the Code of Ethics as Professional and Ethical Standard 1, *International Code of Ethics for Assurance Positioners) including International Independence Standards) (New Zealand) (PES 1)*. PES 1 is aligned to the 2024 IESBA Code (i.e., PES 1 is based on the restructured IESBA Code from 2018 and includes subsequent revisions to the Code). Effective dates are aligned with the IESBA effective dates.

PES 1 has a narrower scope than the IESBA Code and is intended to be applied by assurance practitioners performing assurance engagements (a separate New Zealand body regulates ethical standards for professional accountants in business). PES 1 remains at least as demanding as the IESBA Code. Modifications are made to the IESBA Code to make it relevant for the New Zealand context. These modifications

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do not result in a standard that conflicts with, or results in lesser requirements than, the IESBA Code. The main modifications are:

- sections that do not relate to assurance engagements are not included in PES 1 (section 280, *Tax Planning Activities*, section 380 *Tax Planning Services*, and section 321 *Second Opinions*)
- references to professional accountants are replaced with references to assurance practitioners, because PES 1 only applies to assurance practitioners
- specifying which entities are public interest entities as appropriate for the New Zealand context.

Some of the modifications that are stricter in PES 1 than the IESBA Code relate to:

- in section 310, additional requirements for the assurance practitioner:
 - to disclose, in writing, the nature of the conflict of interest and the related safeguard applied to eliminate or reduce the threat to an acceptable level, to all clients and potential clients affected by the conflict.
 - to obtain the client's consent, in writing, to perform the assurance services when safeguards are applied.
 - to disengage from the assurance engagement if adequate disclosure to the client of a conflict of interest is restricted due to confidentiality.
- in section 360, the requirements of the IESBA Code that apply to audits of financial statements have been broadened in PES 1 to apply to audit and review engagements.
- in sections 400 and 900, a requirement to evaluate in aggregate multiple threats to independence, which individually may not be significant, and apply safeguards to eliminate or reduce them to an acceptable level in aggregate.
- in section 600, an additional requirement to document the factors considered and conclusions reached in determining that the tax advisory and tax planning services will not create a self-review threat.

A detailed list of New Zealand specific amendments is included in a conformity statement at the end of [PES 1](#), as a comparison to the IESBA Code.

- (c) No, the IESBA Code was used as a basis to develop the local Code (or equivalent provisions) which is converged with the IESBA Code (*Please (i) specify the latest edition of the IESBA Code that has been used to develop the local Code (or equivalent provisions), e.g., 2018, 2024, etc.; (ii) provide links to the local Code (or equivalent provisions) or the specific announcement of the converged version of the IESBA Code; and (iii) describe the significant differences related to structure and drafting between the local provisions and the Code's provisions*)

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- (d) There are provisions in relevant law or regulation or a different ethical framework that are at least as stringent as the Code's provisions (*Please (i) specify the edition of the IESBA Code against which the relevant law, regulation or local ethical framework is benchmarked, e.g., 2018, 2024, etc., and (ii) describe the significant differences related to structure and drafting between the local Code or provisions and the IESBA Code*)
- (e) Not adopted (*Please specify reasons. If there is a plan to adopt the IESBA Code, please provide details*)

If you have answered (a), (b) or (c), was the local Code translated? If yes, please indicate the language in which the local Code was translated.

Guidance and Educational Materials

For JSS, PAOs, Regulators or Oversight Bodies, and Accounting Firms only

13. What guidance or educational materials has your organization issued, or what programs has your organization developed, to support understanding of how to use the local Code or provisions? (*Select all that apply and provide links*)

- **Technical guidance (e.g., FAQs)**

The NZAuASB has issued guidance to support assurance practitioners in relation to specific provisions to the Code, for example:

- [XRB Staff FAQ Auditor Rotation](#)
- [XRB Staff Guidance Non-Assurance Services Prohibitions](#)

- **Education/training programs (e.g., webinars, CPD programs)**

When the restructured Code was issued, the NZAuASB hosted a webinar and included additional educational materials, including the IESBA's materials, on the website to promote the changes to the Code:

- [Restructured Code of Ethics » XRB](#)

Additionally, the NZAuASB prepares webinars and discussion forums to explain new provisions that are proposed for the Code of Ethics, for example:

- [Ethics Edified » XRB](#) (webinar to promote various changes to the Code)
- [Strengthening Auditor Independence » XRB](#) (webinar to promote non-assurance services changes to the Code)

- Articles, publications or newsletters (e.g., updates about standards, case studies or illustrative examples)
- Other (*Please specify*)
- None

For individual PAPPs and PAIBs only

14. What guidance or educational materials have you received or accessed with respect to how to use the local Code or provisions? (*Select all that apply*)

- Technical guidance (e.g., FAQs)

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- Education/training programs (e.g., webinars, CPD programs)
- Articles, publications or newsletters (e.g., updates about standards, case studies or illustrative examples)
- Other (*Please specify*)
- None

Other Support

For JSS, PAOs, Regulators or Oversight Bodies, and Accounting Firms only

15. Does your organization offer guidance to individual professional accountants, accounting firms, or other users on the application of the local Code or provisions if they seek such assistance? (*Select all that apply*)
- Ethics hotline or equivalent (e.g., for technical queries, application questions on how to use the local Code or provisions)
 - Discussion forum (e.g., for sharing knowledge)
 - **Other (*Please specify*)**

The NZAuASB does not provide advice. However, we respond to enquiries by referring assurance practitioners to the relevant paragraphs in the Code and discussing provisions that may be unclear.
 - None

For individual PAPPs and PAIBs

16. Do you have access to guidance on the application of the local Code or provisions in your jurisdiction if you seek such assistance? (*Select all that apply*)
- Ethics hotline or equivalent (e.g., for technical queries, application questions on how to use the local Code or provisions)
 - Discussion forum (e.g., for sharing knowledge)
 - Other (*Please specify*)
 - None

Inquiries and Questions

For JSS, PAOs, Regulators or Oversight Bodies or Accounting Firms

17. Which inquiries or questions relating to the structure and drafting of the local Code or provisions has your organization commonly received? (*Please provide details, including from which stakeholder groups the inquiries or questions arose*)
- The enquiries we receive usually relate to specific provisions, for example public interest entities, rather than the structure or drafting style of the Code.

For individual PAPPs and PAIBs

18. Which specific structure or drafting matters pertaining to the local Code or provisions have you inquired or raised questions about? *(Please provide details)*

Part C – Usability and Clarity of Language and Responsibility (All Respondents)

The overview below provides brief background to the questions that follow regarding specific aspects of the restructuring or redrafting of the IESBA Code.

Building Blocks Approach

The Restructured Code has four Parts which are focused on all professional accountants (Part 1), professional accountants in business (Part 2), professional accountants in public practice (Part 3), independence for audit and review engagements (Part 4A), and independence for other assurance engagements (Part 4B).

A building blocks approach was applied whereby Part 1 applies to all professional accountants but is not repeated in subsequent Parts. Rather, the provisions in subsequent Parts are incremental in nature and build off Part 1.

Each Part includes various Sections to address specific topics. Each Section of the Restructured Code is structured, where appropriate, as follows:

- Introduction – sets out the subject matter addressed within the section and introduces the requirements and application material in the context of the conceptual framework.
- Requirements – establish general and specific obligations with respect to the subject matter addressed.
- Application material – provides context, explanations, suggestions for actions or matters to consider, illustrations and other guidance to assist in complying with the requirements.

To guide users in navigating the provisions in the Code, a “Guide to the Code” was added.

19. Is the building-blocks approach of the IESBA Code simple and clear, and does it help in navigating the Code?

- Yes
- **Somewhat *(Please explain your response)***

[The building-blocks helps navigation](#)

The building blocks approach is simple and clear. It is helpful for navigating the IESBA Code. As the IESBA Code cannot cover all circumstances it is good to have the fundamental principles and conceptual framework at the front of the Code and specific circumstances in the following blocks.

[Navigation can still be difficult](#)

However, we continue to hear that the IESBA Code is long and complex, and difficult to understand and navigate. Most assurance practitioners do not read the Code from cover to cover. We understand that assurance practitioners are most likely to refer to the Code when an issue has arisen and they are in a state of concern, seeking requirements and application material to help them navigate an ethical matter.

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The fact that the IESBA Code is so long, with so many sections responding to specific circumstances, can be overwhelming and potentially leaves a reader uncertain whether they have identified all relevant provisions to address a specific situation.

The IESBA could consider ensuring that an up to date digitized Code is maintained to help with searches and navigation. In addition, the IESBA could explore other tools and awareness raising activities to build confidence for those new to, or less familiar with, the Code.

Parts 4A and 4B are seen as repetitive

Parts 4A and 4B are seen as distorting the buildings blocks approach because they are repetitive, adding length to the IESBA Code. Users applying both Parts 4A and 4B mainly want to understand the differences between “audit and review”, and “other assurance engagements” requirements.

The IESBA could consider combining Parts 4A and 4B and using headings to clearly show where requirements differ, similar to the distinction between PIE and non-PIE requirements. A digital tool would be especially useful to filter based on circumstances.

Although Part 5 is not subject to this survey, we note that its addition to the IESBA Code exacerbates the concerns about the Code’s length, repetition, and the difficulty of navigating differences between audit and review, other assurance, and sustainability provisions.

- No (*Please explain your response*)

20. Is the “Guide to the IESBA Code” helpful in explaining how the Code is structured and should be applied?

- Yes
- **Somewhat** (*Please explain your response*)

Helpful information included in the guide could be overlooked

The guide is helpful in explaining how to read and navigate the IESBA Code and we consider that it is essential reading for first time users of the Code. However, we have heard that this guide is often overlooked. We encourage the IESBA to consider how best to highlight and raise awareness of the guide, particularly given the broader range of first-time users engaging with the IESBA Code for sustainability related engagements

The nature of the guide might not be suitable for legislation drafting

In New Zealand, the PES 1 is issued as secondary legislation. Because the Guide is explanatory in nature, it has been removed from the most recent version of PES 1. We are considering whether and how to issue the guide separately and to further raise awareness.

- No (*Please explain your response*)

Emphasizing Compliance with the Fundamental Principles and Applying the Conceptual Framework

To emphasize a professional accountant's responsibility to comply with the fundamental principles and apply conceptual framework:

- An overarching requirement was included in Sections 200, 300, 400 and 900; and
- Reference to the requirement to apply conceptual framework is included in the introductory sections of the remaining Sections within Parts 2, 3 and 4 of the Restructured Code.

21. Is it clear within each Section that a professional accountant (or firm as appropriate) has the responsibility to comply with the fundamental principles and apply the conceptual framework?

- Yes

Overarching requirements in section 200, 300, 400 and 900 and references to the conceptual framework in the introductory sections make it clear that a professional accountant (or a firm) has the responsibility to comply with the fundamental principles and apply the conceptual framework.

- Somewhat (*Please explain your response*)
- No (*Please explain your response*)

Distinction Between Requirements and Application Material

To give more prominence to obligations set out in the Code (including specific prohibitions) and separate them from guidance or explanatory material, requirements are clearly distinguished from application material:

Requirements are designated with the letter "R" and, in most cases, include the word "shall". The word "shall" in the Code imposes an obligation on a professional accountant or firm to comply with the specific provision in which "shall" has been used. In some situations, the Code provides a specific exception to a requirement. In such situation, the provision is also designated with the letter "R" and is linked to the requirement to which they pertain by using the phrase "as an exception to."

Application material is designated with the letter "A." Such provisions will follow the requirement that they are explaining.

Requirements will not reference application material to avoid blurring the distinction between requirements and application material.

Scalability

The Restructured Code was organized to illustrate the Code's scalability by giving greater prominence to the overarching requirement to comply with the fundamental principles and apply the conceptual framework, followed by specific requirements.

Requirements that apply to firms when providing professional services to public interest entities (PIEs) are located after requirements that apply to other entities.

22. Does the IESBA Code's approach to delineating requirements ("R" paragraphs) from application material ("A" paragraphs) make it clear what a professional accountant's or firm's obligations are?

- Yes
- **Somewhat (*Please explain your response*)**

The use of R and A in the IESBA Code is a clear approach to delineate the requirements from the application material.

However, including the requirements and application material in the same document makes the IESBA Code very long. We encourage the IESBA to consider whether there is an opportunity to shorten the Code by focussing on requirements and moving application material to non-authoritative material. Including the fundamental principles and requirements in one document and application material and practical examples in another document would shorten the Code. It would mean that a practitioner could delve into application material only when necessary, rather than navigating a lengthy document. It would also allow the IESBA to be more agile, as the IESBA could add examples relevant to emerging situations on a timely basis.

- No (*Please explain your response*)

23. Is it sufficiently clear that the Code is scalable and proportionate?

- Yes
- **Somewhat (*Please explain your response*)**

Building blocks approach and subtitles support scalability

We acknowledge that the IESBA Code's building-blocks approach supports scalability, notably for professional accountants in business who apply only Part 1 and Part 2. Professional accountants in public practice who do not perform assurance services, apply Part 1 and Part 3 and in specific circumstances are required to apply Part 2 (as required by paragraph R300.5).

However, assurance practitioners and firms who perform audit, sustainability assurance and other assurance engagements must apply all parts of the IESBA Code. This has raised concern from these stakeholders that the IESBA Code lacks scalability. In-depth, expert knowledge is required to be able to understand detailed differences between requirements in these sections.

Use of heading for PIE and non-PIE clients is helpful

We note that the use of headings for PIE and non-PIE clients is useful scalability of the independence provisions for different types of entities.

Length and complexity of the IESBA Code is of concern

The length and complexity of the IESBA Code creates a risk that assurance practitioners will not apply the provisions correctly. This may lead to inconsistent application in similar circumstances.

The length of the IESBA Code also creates a barrier for both existing and new assurance practitioners. Developing a comprehensive understanding of the IESBA Code requires the investment of significant technical resources and time, to fully understand the provisions for different circumstances.

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We have heard that few individuals fully understand the IESBA Code. Assurance practitioners rely on a small number of experts within their firms who understand the nuances of the provisions.

The length and complexity of the IESBA Code continues to increase as new matters are addressed. The IESBA Code is always added to. As the IESBA Code cannot address all possible circumstances, we have heard many views that greater focus should be placed on ensuring consistent application of the fundamental principles in practice, rather than continuing to add material.

We strongly recommend that the IESBA develops materials outside the Code to support understanding and application, and limits ongoing additions to the Code. In addition, we encourage the IESBA to explore ways to streamline and simplify the IESBA Code.

Challenges for standard-setters

The length of the IESBA Code creates practical challenges for jurisdictional standard setters in maintaining a document of this size, particularly given its complex formatting and drafting conventions. During the sustainability-related revisions, we found that adding additional parts to an already lengthy document is challenging, with the Word document becoming increasingly difficult to manage, unstable and prone to technical issues.

In New Zealand, PES 1 is issued as secondary legislation, and has to meet understandability, formatting and accessibility expectations.

We encourage the IESBA to consider whether the IESBA Code could be maintained in different format, for example, drafting directly in an HTML format.

- No (*Please explain your response*)

24. If your organization has responsibility to enforce compliance with the provisions of the Restructured Code, has the delineation of requirements and application material helped with enforceability?

- Yes
- Somewhat (*Please explain your response*)
- No (*Please explain your response*)
- **N/A as do not enforce the provisions of the Restructured Code**

Clarity of Language and Readability

The Restructured Code was redrafted to increase the clarity of language to improve its readability and understandability, including use of simpler and shorter sentences, simplifying complex grammatical structures, and avoiding legalistic and archaic terms.

Further, to minimize the risk of ambiguity and confusion through inconsistent use of terms, the IESBA agreed that:

- When the word “may” is used in the Code, it denotes permission to take a particular action in certain circumstances, including as an exception to a requirement. It is not used to denote possibility.

- When the word “might” is used in the Code, it denotes the possibility of a matter arising, an event occurring or a course of action being taken.

25. Is the language used in the Code clear, readable and understandable?

- Yes
- **Somewhat** (*Please explain your response and provide examples with reference to specific provisions in the Code which you consider may not be clearly drafted*)

The language used in the IESBA Code is highly technical

We acknowledge the improved use of simpler, shorter sentences and use of active language compared to previous versions of the IESBA Code.

However, as specific sections are being revised and new matters continue to be added, the Code is becoming longer and increasingly complex. The technical language used and the complexity of the provisions creates a barrier for readability and understandability. We continue to hear that the Code is so long and so complex, and that assurance practitioners rely on technical experts to decipher and explain what specific provision mean in practice. We strongly encourage the IESBA to consider how the fundamental principles, the conceptual framework and specific circumstances could be explained in plain language. We believe that a strong understanding of the principles and conceptual framework can lead to appropriate application in new circumstances that practitioners might encounter in their practice.

To reinforce the requirements already included in the IESBA Code, we encourage the IESBA to explain in plain language the reasons (“why”) behind specific provisions. For example, the requirements relating to group audits or NOCLAR seem very complex, even to those familiar with the Code. To understand the nuances in the requirements, it is necessary to read IESBA’s relevant Board Papers. Building awareness of the rationale for the provisions may also enhance understandability.

Different interpretations of the word “might”

Based on our experience, the word “might” causes confusion when used in the requirements. For example, the phrase that something “might create a self-review threat” is sometimes incorrectly interpreted that there is a low possibility of this happening, therefore can be ignored.

We acknowledge that the Guide to the Code explains the meaning of the word “might” when used in the IESBA Code. However, this explanation is easily missed within the lengthy Code. We encourage the IESBA to consider practical ways to make it easy for readers to understand the intended meaning of the word “might” when they read a specific section related to the ethical challenge they are dealing with, as they may not refer to the Guide to the Code (or the glossary) when doing so. This may also be an area where a digital solution could assist.

- No (*Please explain your response, and provide examples with reference to specific provisions in the Code which you consider are not clearly drafted*)

26. Is the language used in the Code easy to translate?

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- Yes
- Somewhat (*Please explain your response and provide examples with reference to specific provisions in the Code which you consider may not be easy to translate*)
- No (*Please explain your response, and provide examples with reference to specific provisions in the Code which you consider are not easy to translate*)

We do not comment because we do not translate the Code.

Other Comments

27. Are there any other comments relating to the structure and drafting of the IESBA Code that the IESBA should consider as part of this PIR?

Understandability of independence provisions

The IESBA Code is clear that assurance practitioners and firms need to be independent. The Code also clearly identifies whether the requirements apply to the assurance practitioner, the firm or a network firm.

Technical terms and complexity of independence provisions

Complexity relating to identifying all individuals who are subject to the relevant independence requirements may be challenging in practice, particularly for those who are not expert users of the IESBA Code. For example, the requirements relating to financial interests apply to audit team members or assurance team members. Only after analysing the definitions of “audit team” and “assurance team”, does it become clear that other individuals who might influence the outcome of the engagement also need to be independent. There are also subtle differences in the definitions, for example, the definition of “audit team” includes individuals from network firms, while the definition of “assurance team” does not.

Another area of significant complexity is the independence provisions relating to group engagements. These provisions are among the more complex areas of the IESBA Code and may be difficult to interpret and apply consistently in practice, even for experienced users of the Code.

We acknowledge that the independence provisions and definitions are carefully designed for relevant circumstances, and that independence matters are complex and may not be easy to capture in specific requirements. However, complexity of the independence provisions may result in them being applied incorrectly in practice and might lead to unintentional breaches of the IESBA Code.

Volume of independence provisions

The specific sections are helpful to find provisions relevant to specific situations. For example, if an assurance practitioner considers investing in shares, they would refer to the financial interest section in the Code.

However, without thorough reading and understanding of all independence provisions in the Code, it is very hard to assess full compliance with the Code. Due to the length of the Code

and complexity of specific provisions, most firms rely on technical experts with in-depth knowledge of the Code.

Part D – Clarity of Responsibility (For individual PAPPs, Accounting Firms, Regulators or Oversight Bodies, or PAOs)

The independence sections in the Restructured Code are included in the *International Independence Standards (IIS)* to emphasize its international application and enforceability.

The IIS comprise Part 4A – *Independence for Audit and Review Engagements* (i.e., Sections 400 to 899) and Part 4B – *Independence for Assurance Engagements Other than Audit and Review Engagements* (i.e., Sections 900 to 999).

In the IIS in Parts 4A and 4B, specific provisions relating to audits of entities that are not public interest entities (PIEs) and those relating to audits of PIEs are presented under separate headings titled:

- “All Audit Clients” to introduce provisions that apply in all circumstances and for all audits;
- “Audit Clients that are not Public Interest Entities” to introduce provisions that apply to audits of clients that are not PIEs; and
- “Audit Clients that are Public Interest Entities” to introduce provisions that apply to audits of PIEs only.

28. Is an individual PAPP’s responsibility in relation to independence clear?

- Yes
- Somewhat (*Please explain your response*)
- No (*Please explain your response*)

29. Is a firm’s responsibility in relation to independence clear?

- Yes
- Somewhat (*Please explain your response*)
- No (*Please explain your response*)

30. Is a network firm’s responsibility in relation to independence clear, and is that responsibility clearly distinguished from a firm’s responsibility?

- Yes
- Somewhat (*Please explain your response*)
- No (*Please explain your response*)

End of Survey

IESBA PIR Survey – Restructured Code

Thank you for your valuable input. Your input will inform the IESBA's Post-Implementation Review and help the IESBA develop global ethics and independence standards that are user-friendly, understandable, capable of consistent application, and readily enforceable.

NZAuASB Board meeting summary paper

Meeting date:	10 June 2026
Subject:	EG AU 8 and guidance on auditing the valuation of investments in externally managed unlisted funds / schemes
Date:	27 May 2026
Prepared by:	Thinus Peyper
Reviewed by:	Misha Pieters

 Action Required
 For Information Purposes Only

Agenda item objectives

- The objectives of this agenda item are for the Board to:
 - RECEIVE a verbal update from the AUASB 1 June 2026 discussions; and
 - DISCUSS the questions below (which will also be discussed by the AUASB) on EG AU 8 and guidance on auditing the valuation of investments in externally managed unlisted funds / schemes.

No.	Questions
EG AU 8 matters	
1	Does the Board have any comments on the valuation governance and methodology control objectives in the draft revised guidance (see B.19 to B.26 on pages 59 and 60 of the draft revised guidance)?
2	Does the Board have any objections to providing the draft revised guidance to industry for consultation?
3	Does the Board have views on whether EG AU 8 should be split into two parts (one for user auditors and one for service organisation auditors)?
Guidance on auditing the valuation of investments in externally managed unlisted funds / schemes (hereafter “the additional guidance”)	
4	Does the Board agree that joint guidance should be developed with the AUASB on audit work related to the valuation of investments in externally managed unlisted funds / schemes and guidance on other audit matters (hereafter “the additional guidance”)?
5	Does the Board agree that the additional guidance should appear in a separate guidance document from the revised EG AU 8?
6	Does the Board support using the existing Project Advisory Group (PAG) to progress the additional guidance (subject to PAG members’ agreement) or are there other members we should approach?

Background

- A joint project plan to revise EG AU 8 / GS 007 was approved by the AUASB and NZAuASB in May and June 2025, respectively. The aim was to improve the guidance in areas that auditors find difficult to apply in practice. The project was limited to matters within the scope of the extant guidance, that is matters affecting financial reporting. Extant EG Au8 refers to ISA (NZ) 402 and ISAE (NZ) 3402 and covers controls at the service organisations and includes substantive procedures.
- In December 2025, the NZAuASB received a progress update.

4. Subsequently feedback from regulators was sought and has been incorporated.
5. In addition, the PAG has met regularly and has shared the draft with their firms' IT specialists to update the general IT control objectives in Appendix 3. Their feedback has continued to enhance the revised guidance.
6. In April 2026, the NZAuASB was advised of a delay in finalising the joint guidance. Key reasons for the delay were:
 - Additional time was needed to clarify and refine the general IT control objectives and to update the remaining Appendix 3 control objectives by service type.
 - Varying views as to whether the revised guidance should deal with challenges relating to obtaining audit evidence on the valuation of investments in funds that hold unlisted investments.
7. In April 2026, the AUASB deferred some decisions until members could consider the matters with reference to the draft revised guidance. These decisions are expected to be discussed at the 1 June 2026 AUASB meeting. We will provide a verbal update at the start of this agenda of the AUASB's decisions.

Matters to consider – Draft EG AU 8

Valuation governance and methodology control objectives

8. As mentioned above, we updated the suite of control objectives in Appendix 3 of the draft revised guidance. The valuation governance and methodology control objectives described in B.19 to B.26 aim to address matters raised in ASIC's Surveillance Report [816](#)¹ from a Type 2 controls report perspective (see pages 59 and 60 of the draft revised guidance).
9. **Does the Board have any comments on the valuation governance and methodology control objectives in the draft revised guidance?**

Industry consulting

10. In April 2026, the Board highlighted the importance of engaging with industry on the revised control objectives (as contemplated in the joint project plan).
11. Pending agreement by the AUASB, we plan to consult with the following industry bodies in New Zealand:
 - APEX Group New Zealand (provides products and solutions across fund administration, custody, registry, wealth administration, fund hosting, and distribution)
 - Boutique Investment Group (a collection of New Zealand fund managers who share knowledge and critical thinking on regulatory, compliance and governance matters affecting the sector)
12. **Does the Board have any objections to providing the draft revised guidance to industry for consultation?**

Splitting EG AU 8

13. In April 2026, the Board noted that a way to reduce the density and length of the joint guide could be to separate guidance for different audiences (e.g., user auditor; service auditor; preparer-facing information on relevant control types).
14. **Does the Board have views on whether EG AU 8 should be split into two parts (one for user auditors and one for service organisation auditors)?**

¹ ASIC Surveillance Report 816 *Accounting for your super: ASIC's review into the financial reporting and audit of super funds*, published in September 2025.

Matters to consider – Additional guidance on valuation of investments

Should joint guidance be developed in conjunction with the AUASB?

15. ASIC's Surveillance Report 816 outlines areas where the quality of financial reporting and audits of RSEs' valuation of investments in unlisted MISs and similar collective investment vehicles (domestic and foreign) can be improved.
16. To better understand the circumstances and concerns:
 - We discussed the matter with the PAG members.
 - We considered previous years (2018 and 2024) FMA audit quality monitoring reports that are relevant to this matter.
 - We had discussions with audit firms in New Zealand and with the FMA.
17. New Zealand stakeholders are supportive of the development of guidance to address challenges related to gathering audit evidence over the fair value of the investments that a retail fund holds in unlisted externally managed MISs at year-end.
18. We identified that the circumstances in Australia and New Zealand are different but are interrelated:
 - In Australia, the unlisted MISs' underlying assets in unquoted investments may be larger.
 - In New Zealand the unlisted MISs' underlying assets largely consist of listed investments but do include unquoted investments.
19. Private equity investments in New Zealand are increasing and encouraging more investment is a clear policy focus. We consider that these challenges are therefore relevant to New Zealand.
20. Consistent with the principles of harmonisation we recommend that the XRB and the AUASB work together on joint guidance that can be applied consistently across jurisdictions.
21. **Does the Board agree that joint guidance should be developed with the AUASB on audit work related to the valuation of investments in externally managed unlisted funds / schemes and guidance on other audit matters?**
22. If yes, the scope and timelines for developing the guidance will be brought to the next NZAuASB meeting in August for approval.

Should additional guidance appear in a separate guidance document?

23. In April, the NZAuASB's discussions favoured separating the additional guidance so as not to create further delays.
24. Stakeholders' views on this matter are as follows:
 - a) *EG AU 8 / GS 007 PAG* – PAG members suggested expanding the scope of the revised EG AU 8 / GS 007 to include the additional guidance.
 - b) *AAA-PPC RSE Taskforce* – Taskforce members believe that the additional guidance should appear outside EG AU 8 / GS 007.
 - c) *Audit firms in NZ* – Auditors believe that the guidance should appear outside EG AU 8 / GS 007.
25. **Does the Board agree that the additional guidance should appear in a separate guidance document?**

Project Advisory Group

26. The PAG comprises the following member representatives from the largest audit firms from Australia and New Zealand. It is chaired by the AUASB Chair.

Chris Barber	PwC	NZ
Donna Berry	KPMG	NZ
Gareth Bird	EY	Oceana (Aus and NZ)
Carley Bryce	PwC	Aus
Kelsey Johnson and Tari Makanda	Grant Thornton	Aus
Vincent Sita	Deloitte	Aus
Nhung Southwell	KPMG	Aus

27. Given the new issues to explore, we are considering whether the existing PAG members (subject to their agreement) or alternative or new PAG members from New Zealand should be approached to advise on the development of the additional guidance.
28. Given the relevance for New Zealand, we also recommend that a NZAuASB member should be involved in the PAG.
29. **Does the Board support using the existing Project Advisory Group (PAG) or are there other members we should approach?**

Next steps

30. We plan to:
- Incorporate final feedback from PAG members into EG AU 8
 - Consult with industry bodies and incorporate their feedback into EG AU 8
 - Arrange a final PAG
 - Bring the final draft EG AU 8 to the respective boards for approval in August 2026
31. Pending agreement by the NZAuASB and the AUASB, we plan to develop a joint project plan on the additional guidance and bring that to August NZAuASB meeting for approval.

Material presented

- Board meeting summary paper
- Draft revised GS 007 (which will be mirrored in EG Au8)
- Summary of changes
- Supplementary agenda item – Approved joint project plan (June 2025)

~~Agenda Paper 2.2~~~~Meeting 175~~

Summary of changes made in draft revised GS 007

Planned topic area		Description of changes
No.	Subservice organisations (SSOs)	
1	<p>Where the carve-out method is applied, some principles-based guidance is needed:</p> <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. 26]</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. 27]</p>
2	<p>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> <p>Also consider more guidance on the auditor’s reliance on user entity monitoring controls – how much assurance do these controls provide?</p>	<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. 28-29]</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. 30-32].</p> <p>Based on feedback received we have now included a new section for “User-entity monitoring controls” which now clarifies that user-entity monitoring controls can support oversight and provide supplementary (bridging) evidence, but do not replace a Type 2 report and/or procedures at the service organisation (ASA 402/ASA 330), and are unlikely to be sufficient on their own where inherent risk is significant. [GS 007 para 52-54].</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</p>

Planned topic area	Description of changes
	<p>understanding includes the service organisation's monitoring controls over subservice organisations. [GS 007 para. 90-91]</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. 95]</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. 113-114].</p>
No.	Gap periods
<p>3</p> <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. 35-38] - That the user auditor obtains confirmation from the service organisation whether there are any changes to control activities. [GS 007 para. 39] - 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. 40-43] - The user auditor's options when sufficient evidence cannot be obtained from the operating effectiveness of controls at the service organisation. [GS 007 para. 44] <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. 115]</p>

Planned topic area		Description of changes
No.	Nature and extent of controls testing (and related considerations)	
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, including general IT controls and obtaining evidence that the service organisation's description is fairly presented. [GS 007 para. 85-89 & 92-94]</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) [GS 007 para. 99] - 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. 101-102]
5	<p>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.</p>	<p>We described the requirement to test the relevance and reliability of information (including the extent of testing automated controls) to be used as audit evidence. [GS 007 para. 109-112]</p>
6	<p>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.</p> <p>Some base line level of sampling might be included within guidance but how sample sizes should be determined is out of scope.</p>	<p>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. 45-47]</p>
7	<p>Extent to which roll forward test procedures are performed over differing period ends, and whether and how this is disclosed in service auditor reports.</p>	<p>We included additional information on describing the service auditor's work performed and provided illustrative examples in Appendix 5. [GS 007 para. 103, 104, 106-108 & Appendix 5]</p>
8	<p>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).</p>	<p>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. 105, 120, 121 & Appendix [new appendix inserted between Appendices 4 and 5]]</p>
9	<p>Clarify the additional information required to be included in the service auditor's report regarding findings and qualifications.</p>	<p>The guidance refers to general IT controls and "manual and automated controls" throughout the paragraphs dealing with testing the operating effectiveness of controls as described above. We clarified which IT systems are in scope of the assurance engagement in Appendix 3. [GS 007 para. 103, 104, 106-108 & Appendix 3 Section G introduction before control objectives]</p>

Planned topic area		Description of changes
No.	<i>Expectations on interaction between user auditor and service auditor</i>	
9	<p>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:</p> <ul style="list-style-type: none"> - Communication throughout to avoid surprises when final report is received. - Timing of the receipt of the controls report to allow sufficient time for the user entity auditor to use the evidence it contains prior to completion of the user entity's audit. 	<p>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. 65-66]</p>
No.	<i>Other information in service organisation reports</i>	
10	<p>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.</p>	<p>A section has been added on "other information" which provides examples relevant to the sector and describes the service auditor's responsibilities. We updated the basic elements of the service auditor's report in this regard as well. [GS 007 para. 116-117, 119(b) and (d) & Appendix 4]</p>
No.	<i>Emerging service providers</i>	
11	<p>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.</p>	<p>New services have not been covered in the revised GS 007 because:</p> <ul style="list-style-type: none"> (a) They are already covered by the principles in GS 007; (b) They are not common in Australia and New Zealand. <p>Outsourced registry services and non-financial information (e.g. the use of data providers for financed emissions) are outside the scope of GS 007. Separate guidance is being develop for financed emissions and the use of data providers.</p> <p>The draft GS 007 will include statements that:</p> <ul style="list-style-type: none"> (a) online platforms are not explicitly addressed as part of the services relevant to GS 007; and (b) GS 007 could be used when appropriately adapted for controls over non-financial information. [GS 007 para. 17-18] <p>AI and digital assets are more general topics that are not specific to service organisations and would be best addressed in separate guidance.</p>
No.	<i>Other areas</i>	
12	<p>Appendix 3 of the guidance contains outdated control objectives.</p>	<p>Control objectives updated.</p>

NZAuASB Board meeting summary paper

Meeting date: 10 June 2026
Subject: **Interim review engagements**
Date: 25 May 2026
Prepared by: Sharon Walker
Reviewed by: Misha Pieters

Action Required

For Information Purposes Only

Agenda item objectives

1. The objective of this agenda item is to:
 - (a) raise awareness about the IAASB's proposed revised ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity's Annual Financial Statements (ED-2410)*
 - (b) note the planned outreach approach
 - (c) seek the Board's initial reactions to the questions posed in the explanatory memorandum.

Background

2. The IAASB issued the [explanatory memorandum](#) and [ED-2410](#) on 6 May 2026. Comments to the IAASB are requested by 3 September 2026.
3. XRB staff, along with staff of the AUASB, provided technical support to the IAASB project from the project plan through to the exposure draft.
4. The NZAuASB considered the NZ draft consultation at its April 2026 meeting. Following discussion by the Board and approval (as delegated), the [NZ consultation](#) was issued on 21 May 2026. Comments to the XRB are requested by 15 July 2026. Comments received by the XRB will inform the XRB's submission to the IAASB and the decision on adoption of the standard in New Zealand.
5. As explained in the NZ consultation, the existing ISRE 2410 was issued in 2005 and has not been substantially updated since it was issued. Consequently, the XRB has not adopted ISRE 2410. Rather, the XRB has issued a domestic standard, NZ SRE 2410, which is aligned with the equivalent Australian standard and was most recently updated in 2020.
6. The appendix to the NZ consultation provides a high-level comparison of ED-2410 and NZ SRE 2410, highlighting key differences. In addition, the section titled "key required changes to NZ SRE 2410" provides commentary on areas of significant difference.

Planned New Zealand outreach

7. Many review engagements within the scope of ED-2410 are for listed entities. We plan to conduct targeted outreach.

8. We plan to hold a targeted feedback forum with:
 - (a) representatives from the Big 4 firms (and the mid-tier firms along if they perform these engagements) and the FMA.
9. Staff also plan to try to seek views from preparers and users.

Matters to consider

10. The Board is asked to provide preliminary views on key matters raised in the issues paper.

Recommendations

11. We recommend the Board:
 - Note the IAASB Exposure Draft ED-2410 and explanatory memorandum
 - Note the XRB consultation (available [here](#))
 - Consider and provide preliminary views on the matters raised in the issues paper

Next steps

12. Staff will prepare a summary of feedback and a draft submission for consideration and approval by the NZAuASB at its August 2026 meeting.

Material presented

- Board meeting summary paper
- Issues paper
- IAASB exposure draft (supplementary pack)
- IAASB explanatory memorandum (supplementary pack)

Interim review engagements

Introduction

1. This paper summarises selected proposals in the IAASB’s Exposure Draft *Proposed ISRE 2410 (Revised) (ED-2410)* and highlights matters that may be relevant to New Zealand adoption.
2. For each topic, the paper explains:
 - (a) the issue being addressed,
 - (b) what ED-2410 proposes,
 - (c) what the current New Zealand standard (**NZ SRE 2410**) requires, and
 - (d) whether ED-2410 aligns with, or differs from, current NZ SRE 2410.
3. This paper should be read alongside ED-2410 and the IAASB Explanatory Memorandum (**EM**). However, it aims to provide sufficient context for Board members to form preliminary views and provide initial reactions to the proposals. References to specific paragraphs in ED-2410 have been included where relevant.
4. **How to read this paper:** The tables reproduce the IAASB’s consultation questions for context. The narrative that follows each table is intended to prompt Board discussion. Where staff provide an initial view, it is labelled as such and accompanied by rationale and any identified risks, implementation implications, or New Zealand-specific considerations.

Going concern: work effort and reporting

Questions for Respondents	Related Section or Paragraphs in this EM
<p><i>Going Concern</i> The questions below address both the auditor’s work effort related to going concern in an interim review engagement and transparency about going concern in the interim review report.</p> <p>12. Do you agree that the work effort requirements related to going concern are appropriate and proportional to the circumstances of an interim review engagement, recognizing that the engagement is performed by the auditor of the entity’s annual financial statements and has responsibilities related to going concern in the context of that engagement?</p> <p>13. Do you agree with the proposals to introduce a new separate section relating to going concern in the auditor’s interim review report? In particular:</p> <ol style="list-style-type: none"> (a) Do you agree with the proposed required statements, appropriately worded for a limited assurance engagement, relating to the going concern basis of accounting and whether a material uncertainty exists? (b) Do you agree that the circumstances addressed in the requirements in paragraphs 108-111 of ED-2410 capture the most frequently encountered scenarios in practice? (c) Do you agree with the requirement in paragraph 111 of ED-2410 to include a reference in the interim review report to disclosure(s) of going concern matters, other than a material uncertainty (for example, a “close call”) only when such matter(s) are, in the 	<p>Section I-F, paragraphs 57-61 Section I-H, paragraphs 74-79</p>

Questions for Respondents	Related Section or Paragraphs in this EM
<p>auditor’s professional judgment, of importance to users, and to do so in a manner akin to an emphasis of matter paragraph? If not, for each of these questions, please explain your reasons and provide suggestions for how ED-2410 should address the auditor’s responsibilities related to going concern in an interim review engagement.</p>	

5. **Issues addressed:** Going concern is a key public-interest area in both annual and interim reporting periods. In the interim context, conditions may change quickly and users may view an interim review report as an indicator of financial resilience.
6. **What ED-2410 proposes (work effort):** ED-2410 strengthens and clarifies the auditor’s responsibilities for going concern in an interim review engagement. It anchors the auditor’s work to management’s going concern assessment, requires the auditor to enquire about changes and new events/conditions, and requires additional procedures when events/conditions indicating potential going concern issues are identified, including evaluating the adequacy of related disclosures. (ED-2410, paragraphs 58–65 and A107–A114)
7. **What ED-2410 proposes (reporting):** ED-2410 introduces required statements in the interim review report addressing (a) management’s use of the going concern basis and (b) whether a material uncertainty related to going concern exists, and prescribes different reporting outcomes for common scenarios. This includes a new “Going Concern” section in the report in scenarios where no material uncertainty exists, and a “Material Uncertainty Related to Going Concern” section when one exists, aligning closely with the revised going concern reporting requirements for annual audits. (ED-241, paragraphs 108–114 and A173–A176)
8. **What NZ SRE 2410 requires:** NZ SRE 2410 includes enquiry-based going concern procedures and requires the auditor to perform additional procedures when matters come to their attention. In reporting, NZ SRE 2410 requires explicit statements in the auditor’s interim review report where a material uncertainty related to going concern exists, but does not require “no MURGC identified” style statements when no material uncertainty exists.
9. **Alignment / differences:** ED-2410 would increase both work-effort and transparency in assurance reporting compared with NZ SRE 2410. ED-2410’s reporting requirements are intended to align closely with the revised going concern reporting requirements for annual audits to avoid the interim review report being silent on going concern.
10. The following table provides a summary of the various reporting scenarios:

Going concern scenarios	Implications for the review report
No events or conditions exist that may cast significant doubt on the entity’s ability to continue as a going concern (para 108)	<p>“Going Concern” section</p> <p>...nothing has come to the auditor’s attention to indicate that management’s use of the GC basis is inappropriate.</p> <p>...Nothing has come to the auditor’s attention to indicate that a MURGC exists.</p> <p>Auditor’s conclusion is based on the evidence obtained, not a guarantee</p>
To bring attention to a matter related to GC, other than MURGC (para 111) (e.g., when	<p>In addition to the statements in Going Concern section:</p> <p>Reference to related disclosure in the interim financial information</p> <p>Auditor’s interim review report not modified</p>

Going concern scenarios	Implications for the review report
significant judgements made by management in concluding no MURGC exists; MURGC existed at year-end but resolved in interim period)	
MURGC exists at interim and is adequately disclosed (para 110)	<p>“MURGC” section</p> <p>Reference to related disclosure in the interim financial information</p> <p>Auditor’s interim review report not modified</p> <p>...nothing has come to the auditor’s attention to indicate that management’s use of the GC basis is inappropriate.</p> <p>Auditor’s conclusion is based on the evidence obtained, not a guarantee</p>
MURGC exists at interim and is adequately disclosed + MURGC existed at year end that was adequately disclosed (para 109)	<p>“MURGC” section</p> <p>Reference to related disclosure in annual financial statements and statement that auditor’s report included a MURGC section</p> <p>Reference to related disclosure in the interim financial information</p> <p>Auditor’s interim review report not modified</p> <p>...nothing has come to the auditor’s attention to indicate that management’s use of the GC basis is inappropriate.</p> <p>Auditor’s conclusion is based on the evidence obtained, not a guarantee</p>

Questions for the Board:

Are ED-2410’s proposed work-effort proportionate for interim review engagements?

Are ED-2410’s scenario-based reporting (including distinctions relating to prior-year MURGC disclosures) decision-useful or overly complex for an interim review report?

Fraud and non-compliance with laws and regulations (NOCLAR)

Questions for Respondents	Related Section or Paragraphs in this EM
<p>11. Do you agree that the work effort requirements related to fraud and NOCLAR are appropriate and proportional to the circumstances of an interim review engagement, recognizing that the engagement is performed by the auditor of the entity’s annual financial statements and has responsibilities related to fraud in the context of that engagement?</p> <p>If not, please explain your reasons, provide suggestions for the auditor’s approach to fraud and NOCLAR in an interim review engagement.</p>	<p>Section I-F, paragraphs 54-56</p>

11. **Issue addressed:** Fraud and NOCLAR are areas of heightened public interest. Users may assume that an interim review provides comfort in these areas, but the engagement is limited assurance and is based primarily on enquiry and analytical procedures. Clear requirements for “what happens when something comes to the auditor’s attention” are therefore critical.

12. **What ED-2410 proposes:** ED-2410 strengthens requirements by specifying responses when fraud/suspected fraud or NOCLAR comes to the auditor’s attention during the interim review engagement. The proposals require the auditor to go beyond enquiries in those circumstances to obtain an understanding of the matter (including management’s investigation and remedial action) and to obtain further information to evaluate whether the matter may have a material effect on the interim financial information. When a matter relates to fraud/suspected fraud, the auditor’s evaluation is limited to matters that are more than clearly inconsequential. (ED-2410, paragraphs 52–57 and A99–A106).
13. **What NZ SRE 2410 requires:** NZ SRE 2410 includes requirements to consider fraud and illegal acts in the context of a review and to perform additional procedures when matters come to the auditor’s attention, but is less explicit about the nature of those additional procedures and does not have the “unless clearly inconsequential” threshold.
14. **Alignment / differences:** ED-2410 is broadly consistent with a “responsive when matters arise” model, but is more prescriptive about required work effort once a matter is identified.

Question for the Board:

Are ED-2410’s proposed “when matters come to attention” requirements for fraud and NOCLAR appropriately proportionate for a limited assurance interim review?

Approaching an interim review engagement in ED 2410

Questions for Respondents	Related Section or Paragraphs in this EM
<p>Approaching an Interim Review Engagement in ED-2410</p> <p>6. Is it sufficiently clear that, for recurring engagements, the auditor leverages the knowledge and understanding obtained from previous annual audits and interim review engagements for the entity?</p> <p>7. Do you agree with the considerations that apply when the review of interim financial information is the first engagement performed for the audit client?</p>	<p>Section I-B Section I-F, paragraphs 44-52</p>

15. **Issue addressed:** Interim review engagements performed by the auditor of the entity’s annual financial statements are recurring engagements. Clarity on how prior-period knowledge is used (and what is needed on a first-time engagement) affects both quality and proportionality of work effort.
16. **What ED-2410 proposes:** ED-2410 requires the auditor to obtain an understanding of the entity and its environment, including internal control relevant to preparation of the interim financial information, and to update that understanding for the interim period. Application material explains how the auditor leverages knowledge from the annual audit and prior interim reviews for recurring engagements. When the interim review is the first engagement for the audit client application material sets expectations for additional understanding and procedures, i.e., in performing the interim review engagement, the auditor needs an “audit-level” understanding, even in a first-time engagement. (ED-2410, paragraphs 43 and A72-A79)
17. **What NZ SRE 2410 requires:** NZ SRE 2410 is premised on the auditor being the auditor of the entity’s annual financial statements and therefore having an understanding of the entity, its accounting system and internal control. It does not contain the same level of explicit direction on how to build that understanding where the interim review is the first engagement for the audit client.

18. **Alignment / differences:** ED-2410 introduces more explicit guidance for first-time engagements however the general principles are aligned.

Question for the Board:

Are ED-2410's expectations about leveraging prior audit knowledge (and the additional work needed on a first-time engagement) appropriate and proportionate?

Materiality

Questions for Respondents	Related Section or Paragraphs in this EM
8. Do you agree with the requirement for the auditor to determine materiality for the interim review engagement, and the related application material that describes the relevant principles that apply? If not, what would you suggest?	Section I-F, paragraphs 41-43

19. **Issue addressed:** Materiality underpins the design of review procedures and the evaluation of misstatements. More explicit materiality requirements may improve consistency.
20. **What ED-2410 proposes:** ED-2410 requires the auditor to determine materiality for the interim review engagement and apply it in designing review procedures and evaluating results. The application material reflects the principles and concepts of materiality in ISA (NZ) 320¹. The application material does not provide detailed guidance for, or examples of, how materiality may be determined for an interim review engagement. Instead it highlights that materiality is to be determined by reference to the interim financial information and describes the importance of considering qualitative and quantitative factors, and the auditor's perception of the information needs of users'. (ED-2410, paragraphs 41–42 and A66–A71)
21. **What NZ SRE 2410 requires:** NZ SRE 2410 requires the auditor to consider materiality when determining the nature, timing and extent of review procedures and when evaluating misstatements identified. Application material explains that the auditor uses professional judgement in determining materiality and in evaluating misstatements, taking into account qualitative and quantitative factors and the financial information needs of users of the interim financial information. The auditor's consideration of materiality is based on the period financial data and may be less than materiality for annual financial statements.
22. **Alignment / differences:** ED-2410 is largely aligned with New Zealand requirements. The principal difference is that ED-2410 is more explicit about determining materiality. Application material in ED-2410 and NZ SRE 2410 is similar. However ED-2410 also explains that, as a starting point in determining qualitative materiality for the interim financial information, the auditor may decide to use the same benchmark (as for the audit engagement) and an appropriate percentage, or may consider other factors.

Question for the Board:

Does the Board support the explicit requirement to determine materiality for an interim review engagement?

Does the Board consider the application material in -2410 sufficient to drive consistent application? If not, what additional guidance is needed?

¹ ISA (NZ) 320, *Materiality in Planning and Performing an Audit*

Other matters

Questions for Respondents	Related Section or Paragraphs in this EM
<p>16. Are there any other matters you would like to raise in relation to ED-2410? If so, please clearly indicate the specific paragraph numbers of any requirements, application material, or Appendix, to which your comments relate. If you provide views on other matters, please use subheadings in your response to clearly identify and distinguish different matters.</p>	

23. **Staff note:** Staff has not identified any other matters for discussion at this time.

Question for the Board:

Are there any other matters Board members would like to raise in relation to ED-2410?

NZAuASB Board meeting summary paper

Meeting date: 10 June 2026
Subject: **Update to EG Au1A**
Date: 20 May 2026
Prepared by: Bruce Mcniven
Reviewed by: Misha Pieters

Action Required

For Information Purposes Only

Agenda item objectives

1. The objective of this agenda item is for the Board to APPROVE the updated Explanatory Guide (EG) Au1A *Framework for Assurance Engagements*

Background

2. EG Au1A was issued in July 2014 by the NZAuASB and is based on the IAASB's *International Framework for Assurance Engagements* (page 48 of the [IAASB handbook](#))
3. The purpose of the explanatory guide is to facilitate the understanding of the elements and objectives of an assurance engagement and the engagements to which the assurance standards apply.
4. Since its issue:
 - (a) ISA (NZ) for LCE has been issued; and
 - (b) quality management standards were introduced.
5. As a result, parts of EG Au1A are no longer aligned with the current IAASB framework for assurance standards.
6. A copy of the proposed changes is attached. These updates:
 - (a) reflect the latest 2025 IAASB International Framework for Assurance Engagements (which includes updating the eight components of a system of quality management, and references to quality management); and
 - (b) align references with current standards (such as ISA (NZ) for LCE, PES 3, New Zealand equivalents to IFRS Accounting Standards).

Recommendations

7. We recommend that the Board APPROVE the updated EG Au1A.

Material presented

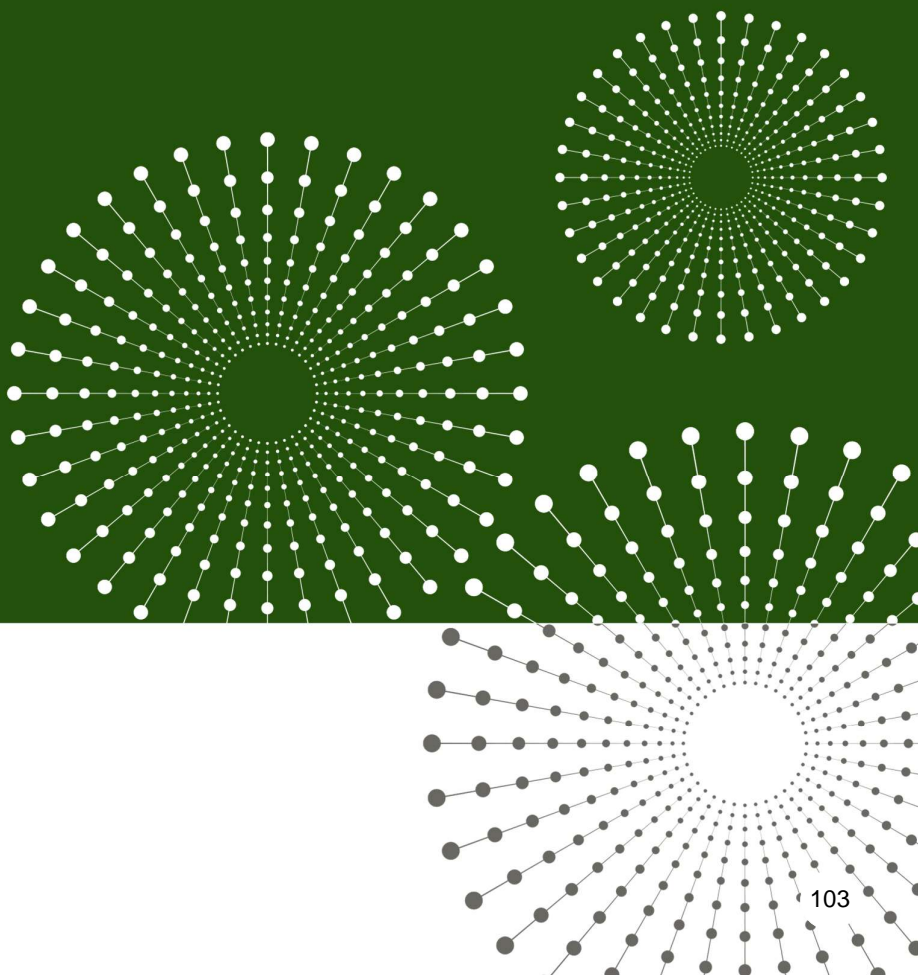
- Board meeting summary paper
- Draft updated EG Au1A (with track changes)

Framework for assurance engagements (New Zealand)

Explanatory Guide EG Au 1A



DATE 2026



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Introduction

1. This Framework is issued solely to facilitate an understanding of the elements and objectives of an assurance engagement and the engagements to which International Standards on Auditing (New Zealand) (**ISAs (NZ)**), [International Standards on Sustainability Assurance \(ISSA\)](#), [New Zealand Auditing Standards \(NZ AS\)](#), [the International Standard on Auditing \(New Zealand\) for Audits of Financial Statements of Less Complex Entities \(ISA \(NZ\) for LCE\)](#), the Review Engagement Standards and the Other Assurance Engagement Standards (hereinafter referred to as XRB Assurance Standards) apply.
2. This Framework is not a Standard and, accordingly, does not establish any requirements (or basic principles or essential procedures) for the performance of audits, reviews, [sustainability](#) or other assurance engagements. An assurance report cannot, therefore, claim that an engagement has been conducted in accordance with this Framework, but rather should refer to relevant XRB Assurance Standards. XRB Assurance Standards contain objectives, requirements, application and other explanatory material, introductory material and definitions that are consistent with this Framework, and are to be applied in audit, review, [sustainability](#) and other assurance engagements.
3. This Framework provides a frame of reference for
 - (a) Assurance practitioners;
 - (b) Others involved with assurance engagements, including the intended users of an assurance report and those engaging an assurance practitioner (the “engaging party”); and
 - (c) The NZAuASB in its development of Assurance Standards, explanatory guides and other papers.
4. The following is an overview of this Framework:
 - *Introduction:* This Framework deals with assurance engagements performed by assurance practitioners.
 - *Description of assurance engagements:* This section describes assurance engagements and distinguishes direct engagements from attestation engagements, and reasonable assurance engagements from limited assurance engagements.
 - *Scope of the Framework:* This section distinguishes assurance engagements from other engagements, such as consulting engagements.
 - *Preconditions for an assurance engagement:* This section sets out preconditions for an assurance practitioner to accept an assurance engagement.
 - *Elements of an assurance engagement:* This section identifies and discusses five elements assurance engagements exhibit: a three party relationship; an underlying subject matter; criteria; evidence; and an assurance report. It further explains important distinctions between reasonable assurance engagements and limited assurance engagements. This section also discusses, for example, the significant variation in the underlying subject matters of assurance engagements, the required characteristics of suitable criteria, the role of risk and materiality in assurance engagements, and how conclusions are expressed in reasonable assurance engagements and in limited assurance engagements.
 - *Other matters:* This section discusses communication responsibilities other than the assurance practitioner’s assurance report, documentation, and the implications of an

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assurance practitioner's *association* with an underlying subject matter or with subject matter information.

Ethical Principles and Quality ~~Control~~ Management Standards

5. Quality ~~control~~ management within firms that perform assurance engagements, and compliance with ethical principles, including independence requirements, are widely recognised as being in the public interest and an integral part of high-quality assurance engagements. Such engagements are performed in accordance with XRB Assurance Standards, which are premised on the basis that:
 - (a) The members of the engagement team and the engagement quality ~~control~~ reviewer (for those engagements where one has been appointed) are subject to the provisions of Professional and Ethical Standard 1¹ related to assurance engagements, or other professional requirements, or requirements in law or regulation, that are at least demanding; and
 - (b) The assurance practitioner performing the engagement is a member of a firm that is subject to Professional and Ethical Standard 3 ~~(Amended)~~,² or other professional requirements, or requirements in law or regulation, regarding the firm's responsibility for its system of quality control, that are at least as demanding as Professional and Ethical Standard 3 ~~(Amended)~~.

Professional and Ethical Standard 1

6. Professional and Ethical Standard 1 (**PES 1**) establishes the fundamental principles of ethics which are:
 - (a) Integrity;
 - (b) Objectivity;
 - (c) Professional competence and due care;
 - (d) Confidentiality; and
 - (e) Professional behaviour.

The fundamental principles of ethics establish the standard of behaviour expected of an assurance practitioner.

7. ~~Professional and Ethical Standard~~ PES 1 provides a conceptual framework that assurance practitioners are to apply in order to identify, evaluate and address threats to compliance with the fundamental principles.
8. ~~Professional and Ethical Standard~~ PES 1 sets out requirements and application material on various topics. ~~Professional and Ethical Standard~~ PES 1 defines independence as comprising both independence of mind and independence in appearance. Independence safeguards the ability to form an assurance conclusion without being affected by influences that might compromise that conclusion. Independence enhances the ability to act with integrity, to be objective and to maintain an attitude of professional scepticism.

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

² Professional and Ethical Standard PES 3, ~~(Amended)~~, "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements." *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

Professional and Ethical Standard 3 (Amended)

9. Professional and Ethical Standard 3 (**PES 3**)(Amended) deals with the firm's responsibilities to ~~design, implement and operate establish and maintain its~~ a system of quality management control for assurance engagements.³ ~~Compliance with Professional and Ethical Standard 3 (Amended) requires, among other things, that the firm establish and maintain a system of quality control that includes policies and procedures addressing each of the following elements, and that it documents its policies and procedures and communicates them to the firm's personnel A system of quality management addresses the following eight components:~~⁴
- ~~(a) Leadership responsibilities for quality within the firm; The firm's risk assessment process;~~
- ~~(a)(b) Governance and leadership;~~
- ~~(b)(c) Relevant ethical requirements;~~
- ~~(c)(d) Acceptance and continuance of client relationships and specific engagements;~~
- ~~(e) Engagement performance;~~
- ~~(d)(f) Human Resources;~~
- ~~(e)(g) Engagement performance Information and communication; and~~
- ~~(f)(h) The monitoring and remediation process.~~

Description of Assurance Engagements

10. An assurance engagement is an engagement in which an assurance practitioner aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the measurement or evaluation of an underlying subject matter against criteria.
11. The outcome of the measurement or evaluation of an underlying subject matter is the information that results from applying the criteria to the underlying subject matter. For example:
- The financial statements (outcome) result from measuring an entity's financial position, financial performance and cash flows (underlying subject matter) by applying a financial reporting framework (criteria).
 - A statement about the effectiveness of internal control (outcome) results from evaluating the effectiveness of an entity's internal control process (underlying subject matter) by applying relevant criteria.
 - Entity-specific performance measures (outcome) result from measuring various aspects of performance (underlying subject matter) by applying relevant measurement methodologies (criteria).
 - ~~A greenhouse gas statement (outcome) results from measuring an entity's greenhouse emissions (underlying subject matter) by applying recognition, measurement and presentation protocols (criteria).~~
 - Sustainability information (outcome) results from measuring or evaluating an entity's sustainability matters (underlying subject matter) by applying a sustainability reporting framework (criteria).

³ PES 3, paragraph 1

⁴ PES 3, paragraph 6

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- A statement about compliance (outcome) results from evaluating the compliance of an entity (underlying subject matter) with, for example, law and regulation (criteria).

The term “subject matter information” is used to mean the outcome of the measurement or evaluation of an underlying subject matter against the criteria. It is the subject matter information about which the assurance practitioner gathers sufficient appropriate evidence as the basis for the assurance practitioner’s conclusion.

Attestation Engagements and Direct Engagements

12. In an attestation engagement, a party other than the assurance practitioner measures or evaluates the underlying subject matter against the criteria. A party other than the assurance practitioner also often presents the resulting subject matter information in a report or statement. In some cases, however, the subject matter information may be presented by the assurance practitioner in the assurance report. The assurance practitioner’s conclusion addresses whether the subject matter information is free from material misstatement (see also paragraph 85).
13. In a direct engagement, the assurance practitioner measures or evaluates the underlying subject matter against the criteria. In addition, the assurance practitioner applies assurance skills and techniques to obtain sufficient appropriate evidence about the outcome of the measurement or evaluation of the underlying subject matter against the criteria. The assurance practitioner may obtain that evidence simultaneously with the measurement or evaluation of the underlying subject matter, but may also obtain it before or after such measurement or evaluation. In a direct engagement, the assurance practitioner’s conclusion addresses the reported outcome of the measurement or evaluation of the underlying subject matter against the criteria and is phrased in terms of the underlying subject matter and the criteria. In some direct engagements, the assurance practitioner’s conclusion is, or is part of, the subject matter information (see also Appendix 2).

Reasonable Assurance Engagements and Limited Assurance Engagements

14. In a reasonable assurance engagement, the assurance practitioner reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for the assurance practitioner’s conclusion. The assurance practitioner’s conclusion is expressed in a form that conveys the assurance practitioner’s opinion on the outcome of the measurement or evaluation of the underlying subject matter against criteria.
15. In a limited assurance engagement, the assurance practitioner reduces engagement risk to a level that is acceptable in the circumstances of the engagement but where that risk is greater than for a reasonable assurance engagement as the basis for expressing a conclusion in a form that conveys whether, based on the procedures performed and evidence obtained, a matter(s) has come to the assurance practitioner’s attention to cause the assurance practitioner to believe the subject matter information is materially misstated. The nature, timing, and extent of procedures performed in a limited assurance engagement is limited compared with that necessary in a reasonable assurance engagement but is planned to obtain a level of assurance that is, in the assurance practitioner’s professional judgement, meaningful. To be meaningful, the level of assurance obtained by the assurance practitioner is likely to enhance the intended users’ confidence about the subject matter information to a degree that is clearly more than inconsequential.
16. Across the range of all limited assurance engagements, what is meaningful assurance can vary from just above assurance that is likely to enhance the intended users’ confidence about the

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subject matter information to a degree that is clearly more than inconsequential to just below reasonable assurance. What is meaningful in a particular engagement represents a judgement within that range that depends on the engagement circumstances, including the information needs of intended users as a group, the criteria, and the underlying subject matter of the engagement. In some cases, the consequences to intended users of receiving an inappropriate conclusion may be so great that a reasonable assurance engagement is needed for the assurance practitioner to obtain assurance that is meaningful in the circumstances.

Scope of the Framework

17. Not all engagements performed by assurance practitioners are assurance engagements. Other frequently performed engagements that are not consistent with the description in paragraph 10 above (and therefore are not covered by this Framework) include:
 - Engagements such as agreed-upon procedures⁵ and compilation engagements.
 - The preparation of tax returns where no assurance conclusion is expressed.
 - Consulting (or advisory) engagements⁶ such as management and tax consulting.
18. An assurance engagement may be part of a larger engagement, for example, when a business acquisition consulting engagement includes a requirement to obtain assurance regarding historical or prospective financial information. In such circumstances, this Framework is relevant only to the assurance portion of the engagement.
19. The following engagements, which may be consistent with the description in paragraph 10, are not considered assurance engagements in terms of this Framework:
 - (a) Engagements to testify in legal proceedings regarding accounting, auditing, taxation or other matters; and
 - (b) Engagements that include professional opinions, views or wording from which a user may derive some assurance, if all of the following apply:
 - i. Those opinions, views or wording are merely incidental to the overall engagement;
 - ii. Any written report issued is expressly restricted for use by only the intended users specified in the report;
 - iii. Under a written understanding with the specified intended users, the engagement is not intended to be an assurance engagement; and
 - iv. The engagement is not represented as an assurance engagement in the assurance practitioner's report.

Reports on Non-Assurance Engagements

20. An assurance practitioner reporting on an engagement that is not an assurance engagement within the scope of this Framework clearly distinguishes that report from an assurance report. So as not to confuse users, a report that is not an assurance report avoids, for example:

⁵ [ISRS \(NZ\) 4400. Agreed-upon Procedures Engagements](#)

⁶ In a consulting engagement, the assurance practitioner applies technical skills, education, observations, experiences, and knowledge of the consulting process. Consulting engagements involve an analytical process that typically involves some combination of activities relating to: objective-setting, fact-finding, definition of problems or opportunities, evaluation of alternatives, development of recommendations including actions, communication of results, and sometimes implementation and follow-up. Reports (if issued) are generally written in a narrative (or "long form") style. Generally the work performed is only for the use and benefit of the client. The nature and scope of work is determined by agreement between the assurance practitioner and the client. Any service that meets the definition of an assurance engagement is not a consulting engagement but an assurance engagement.

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- Implying compliance with this Framework, or with XRB Assurance Standards.
 - Inappropriately using the words “assurance,” “audit” or “review.”
 - Including a statement that could reasonably be mistaken for a conclusion based on sufficient appropriate evidence that is designed to enhance the degree of confidence of intended users about the outcome of the measurement or evaluation of an underlying subject matter against criteria.
21. The assurance practitioner and the responsible party may agree to apply the principles of this Framework to an engagement when there are no intended users other than the responsible party but where all other requirements of relevant XRB Assurance Standards are met. In such cases, the assurance practitioner’s report includes a statement restricting the use of the report to the responsible party.

Preconditions for an Assurance Engagement

22. The following preconditions for an assurance engagement are relevant when considering whether an assurance engagement is to be accepted or continued:
- (a) The roles and responsibilities of the appropriate parties (that is, the responsible party, the measurer or evaluator, and the engaging party, as appropriate) are suitable in the circumstances; and
 - (b) The engagement exhibits all of the following characteristics:
 - i. The underlying subject matter is appropriate;
 - ii. The criteria that the assurance practitioner expects to be applied in the preparation of the subject matter information are suitable to the engagement circumstances, including that they exhibit the characteristics described in paragraph 44;
 - iii. The criteria that the assurance practitioner expects to be applied in the preparation of the subject matter information will be available to the intended users;
 - iv. The assurance practitioner expects to be able to obtain the evidence needed to support the assurance practitioner’s conclusion;
 - v. The assurance practitioner’s conclusion, in the form appropriate to either a reasonable assurance engagement or a limited assurance engagement, is to be contained in a written report; and
 - vi. A rational purpose including, in the case of a limited assurance engagement, that the assurance practitioner expects to be able to obtain a meaningful level of assurance.
23. The underlying subject matters of different assurance engagements can vary greatly. Some underlying subject matters may require specialised skills and knowledge beyond those ordinarily possessed by an individual assurance practitioner. It is important, however, that the assurance practitioner be satisfied that those persons who are to perform the engagement collectively have the appropriate competence and capabilities (see also paragraph 31).
24. When a potential engagement cannot be accepted as an assurance engagement, the engaging party may be able to identify a different engagement that will meet the needs of intended users. For example:
- (a) If the criteria that the assurance practitioner expects to be applied are not suitable, an assurance engagement that meets the other preconditions in paragraph 22 may still be performed if:

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- i. The assurance practitioner can identify one or more aspects of the underlying subject matter for which those criteria are suitable. In such cases, the assurance practitioner could perform an assurance engagement with respect to that aspect of the underlying subject matter in its own right. In such cases, the assurance report may need to clarify that the report does not relate to the original underlying subject matter in its entirety; or
 - ii. Alternative criteria suitable for the underlying subject matter can be selected or developed.
- (b) The engaging party may request an engagement that is not an assurance engagement, such as a consulting or an agreed-upon procedures engagement.
25. Having been accepted, it is not appropriate to change an assurance engagement to a non-assurance engagement, or a reasonable assurance engagement to a limited assurance engagement, without reasonable justification. A change in circumstances that affects the intended users' requirements, or a misunderstanding concerning the nature of the engagement, may justify a request for a change in the engagement. If such a change is made, evidence that was obtained prior to the change is not disregarded. An inability to obtain sufficient appropriate evidence to form a reasonable assurance conclusion is not an acceptable reason to change from a reasonable assurance engagement to a limited assurance engagement.

Elements of an Assurance Engagement

26. The following elements of an assurance engagement are discussed in this section:
- (a) A three party relationship involving an assurance practitioner, a responsible party, and intended users;
 - (b) An appropriate underlying subject matter;
 - (c) Suitable criteria;
 - (d) Sufficient appropriate evidence; and
 - (e) A written assurance report in the form appropriate to a reasonable assurance engagement or a limited assurance engagement.

Three Party Relationship

27. All assurance engagements have at least three separate parties: the assurance practitioner, the responsible party and the intended users. Depending on the engagement circumstances, there may also be a separate role of measurer or evaluator, or engaging party (see also Appendix 3).
28. The responsible party and the intended users may be from different entities or the same entity. As an example of the latter case, in a two-tier board structure, the supervisory board may seek assurance about information provided by the executive board of that entity. The relationship between the responsible party and the intended users needs to be viewed within the context of a specific engagement and may differ from more traditionally defined lines of responsibility. For example, an entity's senior management (an intended user) may engage an assurance practitioner to perform an assurance engagement on a particular aspect of the entity's activities that is the immediate responsibility of a lower level of management (the responsible party), but for which senior management is ultimately responsible.

Assurance Practitioner

29. The “assurance practitioner” is the individual(s) conducting the engagement (usually the engagement partner or other members of the engagement team, or, as applicable, the firm) by applying assurance skills and techniques to obtain reasonable assurance or limited assurance, as appropriate, about whether the subject matter information is free from material misstatement.⁷ In a direct engagement, the assurance practitioner both measures or evaluates the underlying subject matter against the criteria and applies assurance skills and techniques to obtain reasonable assurance or limited assurance, as appropriate, about whether the outcome of that measurement or evaluation is free from material misstatement.
30. If a competent assurance practitioner chooses to represent compliance with an XRB Assurance Standard, it is important to recognise that those Standards include requirements that reflect the premise in paragraph 5 regarding Professional and Ethical Standard 1 and Professional and Ethical Standard 3 ~~(Amended)~~, or other professional requirements, or requirements in law or regulation that are at least as demanding.
31. An engagement is not accepted if preliminary knowledge of the engagement circumstances indicates that ethical requirements regarding competence will not be satisfied. In some cases, these requirements can be satisfied by the assurance practitioner using the work of an assurance practitioner’s expert.
32. In addition, the assurance practitioner needs to be able to be sufficiently involved in the work of the assurance practitioner’s expert and other assurance practitioners to an extent that is sufficient to accept responsibility for the assurance conclusion on the subject matter information, and to obtain the evidence necessary to conclude whether the work of that expert or other assurance practitioner is adequate for the assurance practitioner’s purposes.
33. The assurance practitioner has sole responsibility for the assurance conclusion expressed, and that responsibility is not reduced by the assurance practitioner’s use of the work of an assurance practitioner’s expert or other assurance practitioners. Nonetheless, if the assurance practitioner using the work of an assurance practitioner’s expert, having followed the relevant XRB Assurance Standards, concludes that the work of that expert is adequate for the assurance practitioner’s purposes, the assurance practitioner may accept that expert’s findings or conclusions in the expert’s field as appropriate evidence.

Responsible Party

34. The responsible party is the party responsible for the underlying subject matter. In an attestation engagement, the responsible party is often also the measurer or evaluator. The responsible party may or may not be the party that engages the assurance practitioner to perform the assurance engagement (the engaging party).

Intended Users

35. The intended users are the individual(s) or organisation(s), or group(s) thereof that the assurance practitioner expects will use the assurance report. The responsible party can be one of the intended users, but not the only one.
36. In some cases, there may be intended users other than those to whom the assurance report is addressed. The assurance practitioner may not be able to identify all those who will read the assurance report, particularly where a large number of people will have access to it. In such cases, particularly where possible users are likely to have a broad range of interests in the

⁷ “Engagement partner” and “firm” should be read as referring to their public sector equivalents where relevant.

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underlying subject matter, intended users may be limited to major stakeholders with significant and common interests. Intended users may be identified in different ways, for example, by agreement between the assurance practitioner and the responsible party or engaging party, or by law or regulation.

37. Intended users or their representatives may be directly involved with the assurance practitioner and the responsible party (and the engaging party if different) in determining the requirements of the engagement. Regardless of the involvement of others however, and unlike an agreed-upon procedures engagement (which involves reporting factual findings based upon the procedures agreed with the engaging party and any appropriate third parties, rather than a conclusion):
 - (a) The assurance practitioner is responsible for determining the nature, timing and extent of procedures; and
 - (b) The assurance practitioner may need to perform additional procedures if information comes to the assurance practitioner's attention that differs significantly from that on which the determination of planned procedures was based.
38. In some cases, intended users (for example, bankers and regulators) impose a requirement for, or request, the appropriate party(ies) to arrange for an assurance engagement to be performed for a specific purpose. When engagements use criteria that are designed for a specific purpose, the assurance report includes a statement alerting readers to this fact. In addition, the assurance practitioner may consider it appropriate to indicate that the assurance report is intended solely for specific users. Depending on the engagement circumstances, this may be achieved by restricting the distribution or use of the assurance report. While an assurance report may be restricted whenever it is intended only for specified intended users or for a specific purpose, the absence of a restriction regarding a particular user or purpose does not itself indicate that a legal responsibility is owed by the assurance practitioner in relation to that user or for that purpose. Whether a legal responsibility is owed will depend on the circumstances of each case and the applicable law or regulation.

Underlying Subject Matter

39. The underlying subject matter of an assurance engagement can take many forms, such as:
 - Historical financial performance or condition (for example, historical financial position, financial performance and cash flows) for which the subject matter information may be the recognition, measurement, presentation and disclosure represented in financial statements.
 - Future financial performance or condition (for example, prospective financial position, financial performance and cash flows) for which the subject matter information may be the recognition, measurement, presentation and disclosure represented in a financial forecast or projection.
 - Non-financial performance or conditions (for example, performance of an entity) for which the subject matter information may be key indicators of efficiency and effectiveness.
 - Physical characteristics (for example, capacity of a facility) for which the subject matter information may be a specifications document.
 - Systems and processes (for example, an entity's internal control or IT system) for which the subject matter information may be a statement about effectiveness.

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- Behaviour (for example, corporate governance, compliance with regulation, human resource practices) for which the subject matter information may be a statement of compliance or a statement of effectiveness.

Appendix 4 shows a categorisation of the range of possible underlying subject matters with some examples.

40. Different underlying subject matters have different characteristics, including the degree to which information about them is qualitative versus quantitative, objective versus subjective, historical versus prospective, and relates to a point in time or covers a period. Such characteristics affect the:
 - (a) Precision with which the underlying subject matter can be measured or evaluated against criteria; and
 - (b) The persuasiveness of available evidence.

The assurance report may note characteristics that are of particular relevance to the intended users.

41. The appropriateness of an underlying subject matter is not affected by the level of assurance, that is, if an underlying subject matter is not appropriate for a reasonable assurance engagement, it is also not appropriate for a limited assurance engagement, and vice versa. An appropriate underlying subject matter is identifiable and capable of consistent measurement or evaluation against the identified criteria such that the resulting subject matter information can be subjected to procedures for obtaining sufficient appropriate evidence to support a reasonable assurance or limited assurance conclusion, as appropriate.

Criteria

42. Criteria are the benchmarks used to measure or evaluate the underlying subject matter. Criteria can be formal, for example in the preparation of financial statements, the criteria may be the New Zealand Equivalents to [International Financial Reporting Standards](#) [IFRS Accounting Standards](#) or [Public-Benefit-Entity Standards](#) [PBE Standards](#); when reporting on the operating effectiveness of internal controls, the criteria may be based on an established internal control framework or individual control objectives specifically designed for the purpose; and when reporting on compliance, the criteria may be the applicable law, regulation or contract. Examples of less formal criteria are an internally developed code of conduct or an agreed level of performance (such as the number of times a particular committee is expected to meet in a year).
43. Suitable criteria are required for reasonably consistent measurement or evaluation of an underlying subject matter within the context of professional judgement. Without the frame of reference provided by suitable criteria, any conclusion is open to individual interpretation and misunderstanding. Suitable criteria are context-sensitive, that is, relevant to the engagement circumstances. Even for the same underlying subject matter there can be different criteria, which will yield a different measurement or evaluation. For example, one of the criteria a measurer or evaluator might select as a measure of the underlying subject matter of customer satisfaction is the number of customer complaints resolved to the acknowledged satisfaction of the customer, while another measurer or evaluator might select the number of repeat purchases in the three months following the initial purchase. Further, criteria may be suitable for a particular set of engagement circumstances, but may not be suitable for a different set of engagement circumstances. For example, reporting to governments or regulators may require

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the use of a particular set of criteria, but these criteria may not be suitable for a broader group of users.

44. Suitable criteria exhibit the following characteristics:
 - (a) **Relevance:** Relevant criteria result in subject matter information that assists decision-making by the intended users.
 - (b) **Completeness:** Criteria are complete when subject matter information prepared in accordance with them does not omit relevant factors that could reasonably be expected to affect decisions of the intended users made on the basis of that subject matter information. Complete criteria include, where relevant, benchmarks for presentation and disclosure.
 - (c) **Reliability:** Reliable criteria allow reasonably consistent measurement or evaluation of the underlying subject matter including, where relevant, presentation and disclosure, when used in similar circumstances by different assurance practitioners.
 - (d) **Neutrality:** Neutral criteria result in subject matter information that is free from bias as appropriate in the engagement circumstances.
 - (e) **Understandability:** Understandable criteria result in subject matter information that can be understood by the intended users.
45. Vague descriptions of expectations or judgements of an individual's experiences do not constitute suitable criteria.
46. The relative importance of each of the above characteristics when assessing the suitability of criteria to a particular engagement is a matter of professional judgement. The suitability of criteria is not affected by the level of assurance, that is, if criteria are unsuitable for a reasonable assurance engagement, they are also unsuitable for a limited assurance engagement, and vice versa. Criteria may be prescribed by law or regulation, or issued by authorised or recognised bodies of experts that follow a transparent due process (established criteria). Other criteria may be specifically developed for the purpose of preparing the subject matter information in the particular circumstances of the engagement. Whether criteria are established or specifically developed affects the work needed to assess their suitability for a particular engagement, for example, in the absence of indications to the contrary, established criteria are presumed to be suitable if they are relevant to the intended users' information needs.
47. Criteria need to be available to the intended users to allow them to understand how the underlying subject matter has been measured or evaluated. Criteria are made available to the intended users in one or more of the following ways:
 - (a) Publicly.
 - (b) Through inclusion in a clear manner in the presentation of the subject matter information.
 - (c) Through inclusion in a clear manner in the assurance report.
 - (d) By general understanding, for example the criterion for measuring time in hours and minutes.
48. Criteria may also be available only to specific intended users, for example the terms of a contract, or criteria issued by an industry association that are available only to those in the industry because they are relevant only to a specific purpose (see also paragraph 38).
49. As part of the engagement, the assurance practitioner determines whether the criteria are suitable.

Evidence

50. Assurance engagements are planned and performed with an attitude of professional scepticism to obtain sufficient appropriate evidence in the context of the engagement about the reported outcome of the measurement or evaluation of the underlying subject matter against the criteria. Professional judgement needs to be exercised in considering materiality, engagement risk, and the quantity and quality of available evidence when planning and performing the engagement, in particular when determining the nature, timing and extent of procedures.

Professional Scepticism

51. Professional scepticism is an attitude that includes being alert to, for example:
- (a) Evidence that is inconsistent with other evidence obtained;
 - (b) Information that calls into question the reliability of documents and responses to enquiries to be used as evidence;
 - (c) Circumstances that suggest the need for procedures in addition to those required by relevant XRB Assurance Standards; and
 - (d) Conditions that may indicate likely misstatement.
52. Maintaining professional scepticism throughout the engagement is necessary to, for example, reduce the risk of:
- Overlooking unusual circumstances;
 - Overgeneralising when drawing conclusions from observations; and
 - Using inappropriate assumptions in determining the nature, timing and extent of procedures and evaluating the results thereof.
53. Professional scepticism is necessary to the critical assessment of evidence. This includes questioning inconsistent evidence and the reliability of documents and responses to enquiries. It also includes consideration of the sufficiency and appropriateness of evidence obtained in the light of the circumstances.
54. Unless the engagement involves assurance about whether documents are genuine, records and documents may be accepted as genuine unless the assurance practitioner has reason to believe the contrary. Nevertheless, the assurance practitioner considers the reliability of information to be used as evidence.
55. The assurance practitioner cannot be expected to disregard past experience of the honesty and integrity of those who provide evidence. Nevertheless, a belief that those who provide evidence are honest and have integrity does not relieve the assurance practitioner of the need to maintain professional scepticism.

Professional Judgement

56. Professional judgement is essential to the proper conduct of an assurance engagement. This is because interpretation of relevant ethical requirements and relevant XRB Assurance Standards and the informed decisions required throughout the engagement cannot be made without the application of relevant training, knowledge and experience to the facts and circumstances. Professional judgement is necessary in particular regarding decisions about:
- Materiality and engagement risk.
 - The nature, timing, and extent of procedures used to meet the requirements of relevant XRB Assurance Standards and obtain evidence.

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- Evaluating whether sufficient appropriate evidence has been obtained, and whether more needs to be done to achieve the objectives of relevant XRB Assurance Standards. In particular, in the case of a limited assurance engagement, professional judgement is required in evaluating whether a meaningful level of assurance has been obtained.
 - In the case of a direct engagement, applying the criteria to the underlying subject matter, and if the assurance practitioner selects or develops the criteria, selecting or developing them. In the case of an attestation engagement, evaluating such judgements made by others.
 - The appropriate conclusions to draw based on the evidence obtained.
57. The distinguishing feature of the professional judgement expected of an assurance practitioner is that it is exercised by an assurance practitioner whose training, knowledge and experience have assisted in developing the necessary competencies to achieve reasonable judgements.
58. The exercise of professional judgement in any particular case is based on the facts and circumstances that are known by the assurance practitioner. Consultation on difficult or contentious matters during the course of the engagement, both within the engagement team and between the engagement team and others at the appropriate level within or outside the firm assist the assurance practitioner in making informed and reasonable judgements.
59. Professional judgement can be evaluated based on whether the judgement reached reflects a competent application of assurance and measurement or evaluation principles and is appropriate in the light of, and consistent with, the facts and circumstances that were known to the assurance practitioner up to the date of the assurance practitioner's assurance report.
60. Professional judgement needs to be exercised throughout the engagement. Professional judgement is not to be used as the justification for decisions that are not otherwise supported by the facts and circumstances of the engagement or sufficient appropriate evidence.

Sufficiency and Appropriateness of Evidence

61. The sufficiency and appropriateness of evidence are interrelated. Sufficiency is the measure of the quantity of evidence. The quantity of evidence needed is affected by the risks of the subject matter information being materially misstated (the higher the risks, the more evidence is likely to be required) and also by the quality of such evidence (the higher the quality, the less may be required). Obtaining more evidence, however, may not compensate for its poor quality (see also paragraphs 81–82).
62. Appropriateness is the measure of the quality of evidence; that is, its relevance and its reliability in providing support for the assurance practitioner's conclusion.
63. The reliability of evidence is influenced by its source and by its nature, and is dependent on the individual circumstances under which it is obtained. Generalisations about the reliability of various kinds of evidence can be made; however, such generalisations are subject to important exceptions. Even when evidence is obtained from external sources, circumstances may exist that could affect its reliability. For example, evidence obtained from an external source may not be reliable if the source is not knowledgeable or objective. While recognising that exceptions may exist, the following generalisations about the reliability of evidence may be useful:
- Evidence is more reliable when it is obtained from sources outside the appropriate party(ies).
 - Evidence that is generated internally is more reliable when the related controls are effective.

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- Evidence obtained directly by the assurance practitioner (for example, observation of the application of a control) is more reliable than evidence obtained indirectly or by inference (for example, enquiry about the application of a control).
 - Evidence is more reliable when it exists in documentary form, whether paper, electronic, or other media (for example, a contemporaneously written record of a meeting is ordinarily more reliable than a subsequent oral representation of what was discussed).
64. More assurance is ordinarily obtained from consistent evidence obtained from different sources or of a different nature than from items of evidence considered individually. In addition, obtaining evidence from different sources or of a different nature may either corroborate other evidence or indicate that an individual item of evidence is not reliable. When evidence obtained from one source is inconsistent with that obtained from another, it is necessary to determine what additional procedures are needed to resolve the inconsistency.
65. In terms of obtaining sufficient appropriate evidence, it is generally more difficult to obtain assurance about subject matter information covering a period than about subject matter information at a point in time. In addition, conclusions provided on processes ordinarily are limited to the period covered by the engagement; the assurance practitioner provides no conclusion about whether the process will continue to function in the specified manner in the future.
66. Whether sufficient appropriate evidence has been obtained on which to base the assurance practitioner's conclusion is a matter of professional judgement, which involves considering the relationship between the cost of obtaining evidence and the usefulness of the information obtained. The assurance practitioner uses professional judgement and exercises professional scepticism in evaluating the quantity and quality of evidence, and thus its sufficiency and appropriateness, to support the assurance report.

Materiality

67. Materiality is relevant when planning and performing the assurance engagement, including when determining the nature, timing and extent of procedures, and when evaluating whether the subject matter information is free of misstatement. Professional judgements about materiality are made in light of surrounding circumstances, but are not affected by the level of assurance, that is, for the same intended users and purpose, materiality for a reasonable assurance engagement is the same as for a limited assurance engagement because materiality is based on the information needs of intended users.
68. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence relevant decisions of intended users taken on the basis of the subject matter information. The assurance practitioner's consideration of materiality is a matter of professional judgement, and is affected by the assurance practitioner's perception of the common information needs of intended users as a group. Unless the engagement has been designed to meet the particular information needs of specific users, the possible effect of misstatements on specific users, whose information needs may vary widely, is not ordinarily considered.
69. Materiality is considered in the context of qualitative factors and, when applicable, quantitative factors. The relative importance of qualitative and quantitative factors when considering materiality in a particular engagement is a matter for professional judgement.
70. Materiality relates to the information covered by the assurance practitioner's assurance report. Therefore, when the engagement covers some, but not all aspects of the subject matter

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information, materiality is considered in relation to only that portion of the subject matter information that is covered by the engagement.

Engagement Risk

71. Subject matter information can fail to be properly expressed in the context of the underlying subject matter and the criteria, and can therefore be misstated, potentially to a material extent. This occurs when the subject matter information does not properly reflect the application of the criteria to measure or evaluate the underlying subject matter.
72. Engagement risk is the risk that the assurance practitioner expresses an inappropriate conclusion when the subject matter information is materially misstated. Engagement risk does not refer to or include the assurance practitioner's business risks, such as loss from litigation, adverse publicity, or other events arising in connection with particular subject matter information.
73. Reducing engagement risk to zero is very rarely attainable or cost beneficial and, therefore, "reasonable assurance" is less than absolute assurance, as a result of factors such as the following:
 - The use of selective testing.
 - The inherent limitations of internal control.
 - The fact that much of the evidence available to the assurance practitioner is persuasive rather than conclusive.
 - The use of professional judgement in gathering and evaluating evidence and forming conclusions based on that evidence.
 - In some cases, the characteristics of the underlying subject matter when measured or evaluated against the criteria.
74. In general, engagement risk can be represented by the following components, although not all of these components will necessarily be present or significant for all assurance engagements:
 - (a) Risks that the assurance practitioner does not directly influence, which in turn consist of:
 - i. The susceptibility of the subject matter information to a material misstatement before consideration of any related controls applied by the appropriate party(ies) (inherent risk); and
 - ii. The risk that a material misstatement that occurs in the subject matter information will not be prevented, or detected and corrected, on a timely basis by the appropriate party(ies)'s internal control (control risk); and
 - (b) Risks that the assurance practitioner does directly influence, which, in turn, consist of:
 - i. The risk that the procedures performed by the assurance practitioner will not detect a material misstatement (detection risk); and
 - ii. In the case of a direct engagement, the risks associated with the assurance practitioner's measurement or evaluation of the underlying subject matter against the criteria (measurement or evaluation risk).
75. The degree to which each of these components is relevant to the engagement is affected by the engagement circumstances, in particular:
 - The nature of the underlying subject matter and the subject matter information. For example, the concept of control risk may be more useful when the underlying subject

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matter relates to the preparation of information about an entity's performance than when it relates to information about the effectiveness of a control or the existence of a physical condition.

- Whether a reasonable assurance or a limited assurance engagement is being performed. For example, in limited assurance engagements the assurance practitioner may often decide to obtain evidence by means other than testing of controls, in which case consideration of control risk may be less relevant than in a reasonable assurance engagement on the same subject matter information.
- Whether it is a direct engagement or an attestation engagement. While the concept of control risk is relevant to attestation engagements, the broader concept of measurement or evaluation risk is more relevant to direct engagements.

The consideration of risks is a matter of professional judgement, rather than a matter capable of precise measurement.

Nature, Timing and Extent of Procedures

76. A combination of procedures is typically used to obtain either reasonable assurance or limited assurance. Procedures may include:
- Inspection;
 - Observation;
 - Confirmation;
 - Re-calculation;
 - Re-performance;
 - Analytical procedures; and
 - Enquiry.

The exact nature, timing and extent of procedures will vary from one engagement to the next. For many assurance engagements, infinite variations in procedures are possible in theory. In practice, however, these are difficult to communicate clearly and unambiguously.

77. Both reasonable assurance and limited assurance engagements require the application of assurance skills and techniques and the gathering of sufficient appropriate evidence as part of an iterative, systematic engagement process that includes obtaining an understanding of the underlying subject matter and other engagement circumstances.
78. A reasonable assurance engagement involves:
- (a) Based on an understanding of the underlying subject matter and other engagement circumstances, identifying and assessing the risks of material misstatement in the subject matter information;
 - (b) Designing and performing procedures to respond to the assessed risks and to obtain reasonable assurance to support the assurance practitioner's conclusion; and
 - (c) Evaluating the sufficiency and appropriateness of the evidence obtained in the context of the engagement and, if necessary in the circumstances, attempting to obtain further evidence.
79. The nature, timing and extent of procedures for gathering sufficient appropriate evidence in a limited assurance engagement are limited relative to a reasonable assurance engagement. An underlying subject matter-specific XRB Assurance Standard may establish that, for example,

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sufficient appropriate evidence for a particular type of limited assurance engagement is obtained primarily through analytical procedures and enquiries. In the absence of underlying subject matter-specific XRB Assurance Standards for other types of limited assurance engagements, however, the procedures for gathering sufficient appropriate evidence may or may not primarily be analytical procedures and enquiries and will vary with the circumstances of the engagement, in particular, the underlying subject matter, and the information needs of the intended users and the engaging party, including relevant time and cost constraints. Determining the nature, timing and extent of procedures is a matter of professional judgement and will vary from one engagement to the next.

80. A limited assurance engagement involves:
- (a) Based on an understanding of the underlying subject matter and other engagement circumstances, identifying areas where a material misstatement of the subject matter information is likely to arise;
 - (b) Designing and performing procedures to address those areas and to obtain limited assurance to support the assurance practitioner's conclusion; and
 - (c) If the assurance practitioner becomes aware of a matter(s) that causes the assurance practitioner to believe the subject matter information may be materially misstated, designing and performing additional procedures to obtain further evidence.

Quantity and Quality of Available Evidence

81. The quantity or quality of available evidence is affected by:
- (a) The characteristics of the underlying subject matter and subject matter information. For example, less objective evidence might be expected when the subject matter information is future oriented rather than historical (see paragraph 40); and
 - (b) Other circumstances such as when evidence that could reasonably be expected to exist is not available because of, for example, the timing of the assurance practitioner's appointment, an entity's document retention policy, inadequate information systems, or a restriction imposed by the responsible party.

Ordinarily, available evidence will be persuasive rather than conclusive.

82. An unmodified conclusion is not appropriate for either a reasonable assurance or a limited assurance engagement when:
- (a) Circumstances prevent the assurance practitioner from obtaining evidence required to reduce engagement risk to the appropriate level; or
 - (b) A party to the engagement imposes a restriction that prevents the assurance practitioner from obtaining evidence required to reduce engagement risk to the appropriate level.

Assurance Report

83. The assurance practitioner forms a conclusion on the basis of the evidence obtained, and provides a written report containing a clear expression of that assurance conclusion about the subject matter information. Assurance Standards establish basic elements for assurance reports.
84. In a reasonable assurance engagement, the assurance practitioner's conclusion is expressed in the positive form that conveys the assurance practitioner's opinion on the outcome of the measurement or evaluation of the underlying subject matter.

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85. Examples of conclusions expressed in a form appropriate for a reasonable assurance engagement include:
- When expressed in terms of the underlying subject matter and the applicable criteria, “In our opinion, the entity has complied, in all material respects, with XYZ law”;
 - When expressed in terms of the subject matter information and the applicable criteria, “In our opinion, the financial statements present fairly, in all material respects, the financial position of the entity as at [date] and its financial performance and its cash flows for the year then ended in accordance with XYZ framework”; or
 - When expressed in terms of a statement made by the appropriate party, “In our opinion, the [appropriate party’s] statement that the entity has complied with XYZ law is, in all material respects, fairly stated,” or “In our opinion, the [appropriate party’s] statement that the key performance indicators are presented in accordance with XYZ criteria is, in all material respects, fairly stated.” In a direct engagement, the assurance practitioner’s conclusion is phrased in terms of the underlying subject matter and the criteria.
86. In a limited assurance engagement, the assurance practitioner’s conclusion is expressed in a form that conveys whether, based on the engagement performed, a matter(s) has come to the assurance practitioner’s attention to cause the assurance practitioner to believe the subject matter information is materially misstated, for example, “Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the entity has not complied, in all material respects, with XYZ law.”
87. The assurance practitioner may choose a “short form” or “long form” style of reporting to facilitate effective communication to the intended users. “Short-form” reports ordinarily include only the basic elements. “Long-form” reports include other information and explanations that are not intended to affect the assurance practitioner’s conclusion. As well as the basic elements, long-form reports may describe in detail the terms of the engagement, the criteria being used, findings relating to particular aspects of the engagement, details of the qualifications and experience of the assurance practitioner and others involved with the engagement, disclosure of materiality levels, and, in some cases, recommendations. Whether to include any such information depends on its significance to the information needs of the intended users.
88. The assurance practitioner’s conclusion is clearly separated from information or explanations that are not intended to affect the assurance practitioner’s conclusion, including any Emphasis of Matter, Other Matter, findings related to particular aspects of the engagement, recommendations or additional information included in the assurance report. The wording used makes it clear that an Emphasis of Matter, Other Matter, findings, recommendations or additional information is not intended to detract from the assurance practitioner’s conclusion.
89. The assurance practitioner expresses a modified conclusion in the following circumstances:
- (a) When, in the assurance practitioner’s professional judgement, a scope limitation exists and the effect of the matter may be material. In such cases, the assurance practitioner expresses a qualified conclusion or a disclaimer of conclusion. In some cases, the assurance practitioner considers withdrawing from the engagement.
 - (b) When, in the assurance practitioner’s professional judgement, the subject matter information is materially misstated. In such cases, the assurance practitioner expresses a qualified conclusion or adverse conclusion. In those direct engagements where the subject matter information is the assurance practitioner’s conclusion, and the assurance practitioner concludes that some or all of the underlying subject matter does not, in all

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material respects, conform with the criteria, such a conclusion would also be considered to be qualified (or adverse as appropriate).

90. A qualified conclusion is expressed when the effects, or possible effects, of a matter are not so material and pervasive as to require an adverse conclusion or a disclaimer of conclusion.
91. If it is discovered after the engagement has been accepted that one or more preconditions for an assurance engagement is not present, the assurance practitioner discusses the matter with the appropriate party(ies), and determines:
 - (a) Whether the matter can be resolved to the assurance practitioner's satisfaction;
 - (b) Whether it is appropriate to continue with the engagement; and
 - (c) Whether and, if so, how to communicate the matter in the assurance report.
92. If it is discovered after the engagement has been accepted that some or all of the criteria are unsuitable or some or all of the underlying subject matter is not appropriate for an assurance engagement, the assurance practitioner considers withdrawing from the engagement, if withdrawal is possible under applicable law or regulation. If the assurance practitioner continues with the engagement, the assurance practitioner expresses:
 - (a) A qualified conclusion or adverse conclusion depending on how material and pervasive the matter is, when, in the assurance practitioner's professional judgement, the unsuitable criteria or inappropriate underlying subject matter is likely to mislead the intended users; or
 - (b) A qualified conclusion or a disclaimer of conclusion depending on, in the assurance practitioner's professional judgement, how material and pervasive the matter is, in other cases.

Other Matters**Other Communication Responsibilities**

93. The assurance practitioner considers whether, pursuant to the terms of the engagement and other engagement circumstances, any matter has come to the attention of the assurance practitioner that is to be communicated with the responsible party, the measurer or evaluator, the engaging party, those charged with governance or others.

Documentation

94. Engagement documentation provides a record of the basis for the assurance report when it is prepared on a timely basis and is sufficient and appropriate to enable an experienced assurance practitioner, having no previous connection with the engagement, to understand:
 - (a) The nature, timing and extent of the procedures performed to comply with relevant XRB Assurance Standards and applicable legal and regulatory requirements;
 - (b) The results of the procedures performed, and the evidence obtained; and
 - (c) Significant matters arising during the engagement, the conclusions reached thereon, and significant professional judgements made in reaching those conclusions.
95. Engagement documentation includes how the assurance practitioner addressed any inconsistency between information identified by the assurance practitioner and the assurance practitioner's final conclusion regarding a significant matter.

Inappropriate Use of the Assurance Practitioner's Name

96. An assurance practitioner is associated with an underlying subject matter, or with the related subject matter information, when the assurance practitioner reports on information about that underlying subject matter or consents to the use of the assurance practitioner's name in a professional connection with that underlying subject matter, or with the related subject matter information. If the assurance practitioner is not associated in this manner, third parties can assume no responsibility of the assurance practitioner. If the assurance practitioner learns that a party is inappropriately using the assurance practitioner's name in association with an underlying subject matter, or with the related subject matter information, the assurance practitioner requires the party to cease doing so. The assurance practitioner also considers what other steps may be needed, such as informing any known third party users of the inappropriate use of the assurance practitioner's name or seeking legal advice.

~~[Deleted by the NZAuASB].~~

~~Refer to XRB Au1 Appendix 6 for an Overview of the Auditing and Assurance Standards of the XRB, and the Engagements Governed by the Standards.~~

Appendix 12

Attestation Engagements and Direct Engagements

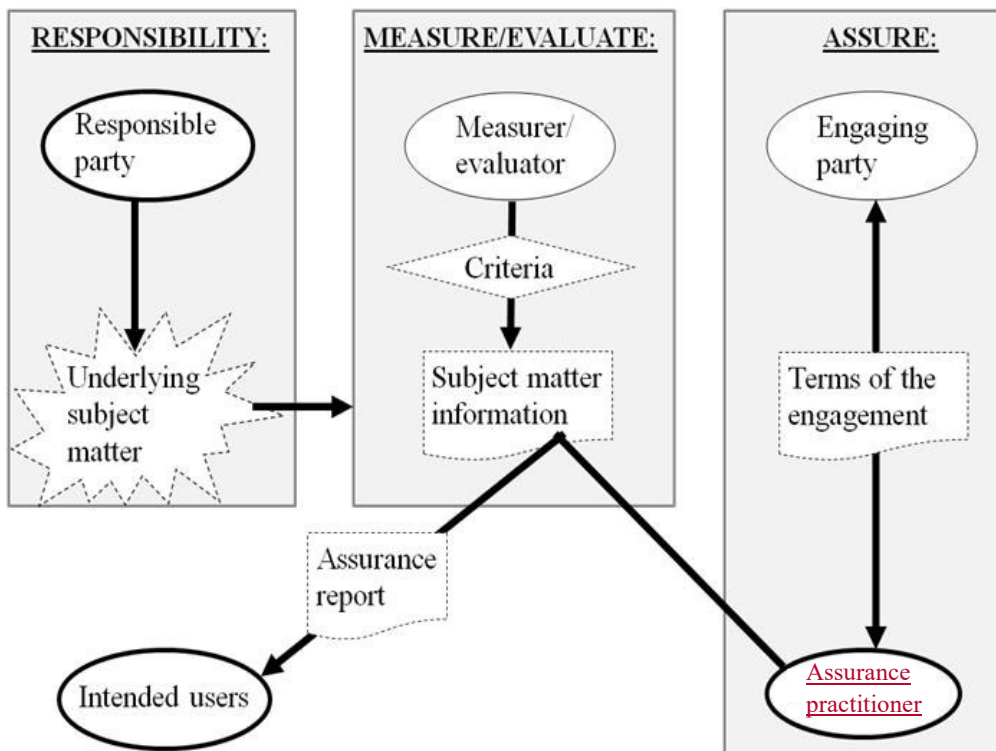
This Appendix outlines the differences between an attestation engagement and a direct engagement.

1. In an attestation engagement, the measurer or evaluator, who is not the assurance practitioner, measures or evaluates the underlying subject matter against the criteria, the outcome of which is the subject matter information. Subject matter information can fail to be properly expressed in the context of the underlying subject matter and the criteria, and can therefore be misstated, potentially to a material extent. The role of the assurance practitioner in an attestation engagement is to obtain sufficient appropriate evidence in order to express a conclusion about whether the subject matter information, as prepared by the measurer or evaluator, is free from material misstatement.
2. In a direct engagement, the assurance practitioner measures or evaluates the underlying subject matter against the criteria and presents the resulting subject matter information as part of, or accompanying the assurance report. The assurance practitioner's conclusion in a direct engagement addresses the reported outcome of the measurement or evaluation of the underlying subject matter against the criteria. In some direct engagements, the assurance practitioner's conclusion is, or is part of, the subject matter information. Depending on the underlying subject matter:
 - (a) The outcome of the measurement or evaluation in a direct engagement may be similar to a report or statement prepared by the measurer or evaluator in an attestation engagement. In other circumstances, however, the outcome, that is, the subject matter information, may be reflected in the description of the findings and basis for the assurance practitioner's conclusion in a long-form assurance report; and
 - (b) The assurance practitioner may use data collected or compiled by others. For example, the data may come from an information system maintained by the responsible party.
3. In addition to measuring or evaluating the underlying subject matter, in a direct engagement the assurance practitioner also applies assurance skills and techniques to obtain sufficient appropriate evidence in order to express a conclusion about whether the subject matter information is materially misstated. The assurance practitioner may obtain that evidence simultaneously with the measurement or evaluation of the underlying subject matter, but may also obtain it before or after such measurement or evaluation.
4. The value of a direct engagement lies in the combination of:
 - (a) The independence of the assurance practitioner from the underlying subject matter, the engaging party, intended users and the responsible party, notwithstanding that the assurance practitioner is not independent of the subject matter information because the assurance practitioner prepared the subject matter information; and
 - (b) The assurance skills and techniques applied when measuring or evaluating the underlying subject matter, which results in the accumulation of evidence that is of a similar quantity and quality as for an attestation engagement. It is this obtaining of sufficient appropriate

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evidence that distinguishes a direct engagement from a mere compilation. To illustrate this point, if an assurance practitioner were compiling an entity's greenhouse gas statement, the assurance practitioner would not, for example, test the calibration of monitoring devices. In a direct engagement, however, the assurance practitioner would, where relevant, either calibrate monitoring devices as part of the measurement process, or test the calibration of monitoring devices performed by others to the same extent as would be the case if the engagement were an attestation engagement.

The Parties to an Assurance Engagement



1. All assurance engagements have at least three parties: the responsible party, the assurance practitioner, and the intended users. Depending on the engagement circumstances, there may also be a separate role of measurer or evaluator, or engaging party.
2. The above diagram illustrates how the following roles relate to an assurance engagement:
 - (a) The responsible party is responsible for the underlying subject matter.
 - (b) The measurer or evaluator uses the criteria to measure or evaluate the underlying subject matter resulting in the subject matter information.
 - (c) The engaging party agrees the terms of the engagement with the assurance practitioner.
 - (d) The assurance practitioner obtains sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the subject matter information.
 - (e) The intended users make decisions on the basis of the subject matter information. The intended users are the individual(s) or organisation(s), or group(s) thereof that the assurance practitioner expects will use the assurance report. In some cases, there may be intended users other than those to whom the assurance report is addressed.
3. The following observations can be made about these roles:
 - Every assurance engagement has at least a responsible party and intended users, in addition to the assurance practitioner.
 - The assurance practitioner cannot be the responsible party, the engaging party or an intended user.
 - In a direct engagement, the assurance practitioner is also the measurer or evaluator.

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- In an attestation engagement, the responsible party, or someone else, but not the assurance practitioner, can be the measurer or evaluator.
 - Where the assurance practitioner has measured or evaluated the underlying subject matter against the criteria, the engagement is a direct engagement. The character of that engagement cannot be changed to an attestation engagement by another party assuming responsibility for the measurement or evaluation, for example, by the responsible party attaching a statement to the subject matter information accepting responsibility for it.
 - The responsible party can be the engaging party.
 - In many attestation engagements the responsible party may also be the measurer or evaluator, and the engaging party. An example is when an entity engages an assurance practitioner to perform an assurance engagement regarding a report it has prepared about its own sustainability practices. An example of when the responsible party is different from the measurer or evaluator is when the assurance practitioner is engaged to perform an assurance engagement regarding a report prepared by a government organisation about a private company's sustainability practices.
 - In an attestation engagement, the measurer or evaluator ordinarily provides the assurance practitioner with a written representation about the subject matter information. In some cases, the assurance practitioner may not be able to obtain such a representation, for example, when the engaging party is not the measurer or evaluator.
 - The responsible party can be one of the intended users, but not the only one.
 - The responsible party, the measurer or evaluator, and the intended users may be from different entities or the same entity. As an example of the latter case, in a two-tier board structure, the supervisory board may seek assurance about information provided by the executive board of that entity. The relationship between the responsible party, the measurer or evaluator, and the intended users needs to be viewed within the context of a specific engagement and may differ from more traditionally defined lines of responsibility. For example, an entity's senior management (an intended user) may engage an assurance practitioner to perform an assurance engagement on a particular aspect of the entity's activities that is the immediate responsibility of a lower level of management (the responsible party), but for which senior management is ultimately responsible.
 - An engaging party that is not also the responsible party can be the intended user.
4. The assurance practitioner's conclusion may be phrased either in terms of:
- The underlying subject matter and the applicable criteria;
 - The subject matter information and the applicable criteria; or
 - A statement made by the appropriate party.
5. The assurance practitioner and the responsible party may agree to apply the principles of the XRB Assurance Standards to an engagement when there are no intended users other than the responsible party but where all other requirements of the XRB Assurance Standards are met. In such cases, the assurance practitioner's report includes a statement restricting the use of the report to the responsible party.

Categorisation of Underlying Subject Matters

The table below shows a categorisation of the range of possible underlying subject matters with some examples. For some categories no example is given because it is unlikely that assurance engagements with respect to information in these categories would be undertaken. The categorisation is not necessarily complete, the categories are not necessarily mutually exclusive, and some underlying subject matter or subject matter information may have components in more than one category, for example, integrated reporting and corporate social responsibility reporting will likely have both historical and future-oriented information and both financial and non-financial information. Also, in some cases, the examples are the subject matter information, in other cases they are the underlying subject matter or merely an indication of the type of question that information could assist with, whichever is more meaningful in the circumstances.

Information about:		Historical Information	Future Oriented Information
Financial	Performance	Financial sStatements prepared in accordance with an acceptable financial reporting framework	<ul style="list-style-type: none"> Forecast/projected cash flow
	Position		<ul style="list-style-type: none"> Forecast/projected financial position
Non-Financial	Performance/ Use of Resources/ Value for Money	<ul style="list-style-type: none"> Greenhouse Gas Statement <u>or disclosures</u> <u>Report over sustainability information</u> Sustainability Report <u>Climate statements</u> KPIs Statement on effective use of resources Statement on Value for Money Corporate social responsibility reporting 	<ul style="list-style-type: none"> Expected emissions reductions attributable to a new technology, or Greenhouse Gases to be captured by planting trees <u>Climate-related risks and opportunities</u> <u>Anticipated impacts and financial impacts of climate-related risks and opportunities</u> <u>Transition plans</u> <u>Scenario analysis</u> Statement that a proposed action will provide value for money
	Condition	<ul style="list-style-type: none"> Description of a system/process as implemented at a point in time Physical characteristics, for example, the size of leased property 	
System/ Process	Description	<ul style="list-style-type: none"> The description of a system of internal control 	
	Design	<ul style="list-style-type: none"> The design of controls at a service organisation 	<ul style="list-style-type: none"> The design of proposed controls for a forthcoming production process
	Operation/ Performance	<ul style="list-style-type: none"> The operating effectiveness of procedures for hiring and training staff 	
Aspects of Behaviour	Compliance	<ul style="list-style-type: none"> An entity's compliance with e.g., loan covenants, or specific legal or regulatory requirements 	

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	Human Behaviour	<ul style="list-style-type: none">• Evaluation of audit committee effectiveness	
	Other	<ul style="list-style-type: none">• The fitness for purpose of a software package	