Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

New Zealand Auditing and Assurance Standards Board

MEETING PACK

for

NZAuASB Board Meeting - Virtual (PUBLIC)

Wednesday, 5 August 2026

11:15 am (NZST)

Held at:

Virtual

Microsoft Teams Meeting

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INDEX

AGENDA

NZAUASB BOARD MEETING - VIRTUAL (PUBLIC)

Name:	New Zealand Auditing and Assurance Standards Board
Date:	Wednesday, 5 August 2026
Time:	11:15 am to 4:30 pm (NZST)
Location:	Virtual, Microsoft Teams Meeting https://teams.microsoft.com/l/meetup-join/19%3ameeting_ZWNiYTcyYTUtZmViNS00ZTM1LThkMzktYTcyYTRjYzIxZGRj%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), Doug Niven, Michael Bradbury, Darby Healey, Rebecca Palmer, Richard Kirkland, Todd Beardsworth, Vasana Vanpraseuth
Attendees:	Misha Pieters, Karen Tipper, Lisa Thomas, Bruce Mcniven, Thinus Peyper, Sharon Walker, Catherine Thompson

1. Open Meeting (PRIVATE)

2. Standing Items (PRIVATE)

3. Discussions (PRIVATE)

4. Update (PRIVATE)

5. Board Management (PRIVATE)

6. Less complex entities (PUBLIC)

6.1 Summary paper — 11:15 am (15 min)

Bruce Mcniven, Lisa Thomas

For Noting

Paper

Supporting Documents:

6.1.a	6.1 ISA-for-LCE-BMSP_Aug 2026.pdf	8

6.2 NZ consultation document — 11:30 am (15 min)

For Decision

Paper

Supporting Documents:

6.2.a	6.2 NZ-consultation-document_2026.pdf	12

6.3 NZ exposure draft — 11:45 am (15 min)

Bruce Mcniven

For Decision

Paper

Supporting Documents:

6.3.a	6.3 NZ-exposure-draft_2026.pdf	23

6.4 Mapping of proposed amendments — 12:00 pm (5 min)

For Noting

SUPPLEMENTARY

6.5 IAASB explanatory memo — 12:05 pm (5 min)

For Noting

SUPPLEMENTARY

6.6 IAASB ED — 12:10 pm (5 min)

For Noting

SUPPLEMENTARY

7. EG Au 8 approval (PUBLIC)

7.1 Summary paper — 12:15 pm (10 min)

Thinus Peyper

For Noting

Late paper

7.2 Guidance — 12:25 pm (20 min)

For Decision

Late paper

8. Valuation Guidance (PUBLIC)

8.1 Summary paper — 12:45 pm (10 min)

Thinus Peyper

For Noting

Paper

Supporting Documents:

8.1.a	8.1 Valuation guidance BSMP_Aug 26.pdf	31

8.2 Project Plan — 12:55 pm (20 min)

For Decision

Paper

Supporting Documents:

8.2.a	8.2 Valuation guidance - Proposed project plan.pdf	33

8.3 LUNCH 1:15 pm (45 min)

9. Audit evidence and risk response (PUBLIC)

9.1 Summary paper 2:00 pm (10 min)

Thinus Peyper

For Noting

Paper

Supporting Documents:

9.1.a	9.1 AE&RR-BMSP_Aug 26.pdf	38

9.2 Engagement plan 2:10 pm (5 min)

For Noting

Paper

Supporting Documents:

9.2.a	9.2 Engagement plan.pdf	40

9.3 NZ consultation document 2:15 pm (20 min)

For Decision

Paper

Supporting Documents:

9.3.a	9.3 NZ-consultation-document-AE&RR_2026.pdf	43

9.4 Overview of key proposals 2:35 pm (5 min)

For Noting

Paper

Supporting Documents:

9.4.a	9.4 Overview of key proposals_2026.pptx	51

9.5 ED ISA 330 (approved text) 2:40 pm (5 min)

For Noting

SUPPLEMENTARY

9.6 ED ISA 500 (approved text) 2:45 pm (5 min)

For Noting

SUPPLEMENTARY

9.7 ED ISA 520 (approved text) — 2:50 pm (5 min)

For Noting
SUPPLEMENTARY

9.8 Conforming and consequential amendments (approved text) — 2:55 pm (5 min)

For Noting
SUPPLEMENTARY

10. Interim review engagements (PUBLIC)

10.1 Summary paper — 3:00 pm (10 min)

Sharon Walker

For Noting
Paper

Supporting Documents:

10.2 Draft response — 3:10 pm (30 min)

For Decision
Paper

Supporting Documents:

10.3 Summary of feedback from outreach — 3:40 pm (5 min)

For Noting
SUPPLEMENTARY

10.4 AFTERNOON TEA — 3:45 pm (15 min)

11. Sustainability implementation support (PUBLIC)

11.1 Summary paper — 4:00 pm (5 min)

Karen Tipper

For Noting
Paper

Supporting Documents:

11.2 Illustrative report — 4:05 pm (10 min)

For Decision

Paper

Supporting Documents:

11.2.a	11.2 Illustrative-report-GHG-assurance-in-accordance-with-ISSA-NZ-5000_2026.pdf	83

12. Technology implementation support (PUBLIC)

12.1 Summary paper

4:15 pm (15 min)

Karen Tipper

For Noting

Paper

Supporting Documents:

12.1.a	12.1 Technology-BMSP_Aug 2026.pdf	89

13. Board Management (PRIVATE)

13.1 Correspondence register

4:30 pm (5 min)

For Noting

Paper

13.2 Communications register

4:35 pm (5 min)

For Noting

Paper

13.3 Speaking register

4:40 pm (5 min)

For Noting

Paper

14. Close Meeting (PRIVATE)

14.1 Closing Karakia

4:45 pm

For Noting

Next meeting: NZAuASB meeting - 14 Oct 2026, 10:00 am

Closing Karakia:

Kia hora te marino | May peace be widespread

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

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

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

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

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EXTERNAL REPORTING BOARD

NZAuASB Board meeting summary paper

Meeting date:	5 August 2026
Subject:	**ISA (NZ) LCE amendments consultation**
Date:	20 July 2026
Prepared by:	Bruce Mcniven and Lisa Thomas
Reviewed by:	Misha Pieters

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

Agenda item objectives

1. The objectives of this agenda item are to ask the Board to:
   (a) APPROVE a domestic exposure draft.
   (b) Receive an UPDATE on the IAASB exposure draft and explanatory memorandum.
   (c) APPROVE the New Zealand consultation document, which brings together the domestic exposure draft and the IAASB consultation and seeks stakeholder feedback on both matters.
   (d) NOTE the proposed consultation engagement plan.

Matters to consider

2. The paper is structured around the two related but separate matters on which staff seek Board input: first, the proposed New Zealand specific amendments to ISA (NZ) for LCE; and second, the IAASB's proposed international maintenance amendments to ISA for LCE. The consultation document brings these matters together so stakeholders can comment on both proposals through one New Zealand consultation process.

Domestic amendments – approval of exposure draft

3. In June 2026, the NZAuASB discussed stakeholder concerns about the current restrictions on using the ISA (NZ) for LCE when auditors wish to rely on controls reports as audit evidence. On balance, the Board agreed there were compelling reasons to amend ISA (NZ) for LCE to enable auditors to rely on type 1 or type 2 controls reports as audit evidence. Two board members volunteered to work with staff to develop an exposure draft and consultation document.

4. In developing the documents for approval, staff:
   (a) met with regulators and practitioners to confirm our understanding of the issue;
   (b) considered the requirements of ISA (NZ) 402[1] to determine which requirements are missing for the circumstances of New Zealand LCEs;

[1] ISA (NZ)402 *Audit considerations relating to an entity using a service organisation*

(c) where relevant, considered how to make requirements proportionate for LCEs and aligned with the drafting style of the ISA (NZ) for LCE;

(d) determined what application material to include as essential explanatory material (**EEM**); and

(e) considered what other changes were needed to the current standard, e.g., removing the current restrictions on relying on controls reports as audit evidence.

5. Workpapers that set out the analysis of the ISA (NZ) 402 requirements and application material are included in the supplementary papers.

6. Staff propose to add New Zealand specific requirements and limited EEM as set out in the attached domestic exposure draft for approval.

7. The changes are New Zealand specific and add to the international standard. However, we consider the benefits of the additions outweigh the costs, noting the additions are conditional, and would only apply when an auditor chooses to rely on controls reports as evidence. These changes are proposed to enable auditors to rely on type 1 and type 2 reports as audit evidence, where they consider it appropriate to do so, responsive to concerns raised by our stakeholders.

8. We seek approval of the domestic exposure draft of proposed domestic amendments to ISA (NZ) for less complex entities (LCE), which would enable auditors to rely on type 1 or type 2 controls reports where appropriate.

Update on international proposals

Background

9. The IAASB is committed to maintaining the ISA for LCE to align with revised and new auditing standards, addressing public interest issues, in a proportionate manner relevant for an LCE.

10. The IAASB agreed to an initial period of stability of at least three years after the effective date of periods beginning on or after 15 December 2025 to allow time for adoption and implementation. Therefore, the first revision to the ISA for LCE will not be effective before 15 December 2028.

11. Since approval of the ISA for LCE in December 2023, the IAASB has approved:

- ISA 240 (Revised), The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements
- ISA 570 (Revised 2024), Going Concern
- Narrow scope amendments to the ISQMs, ISAs and ISRE 2400 (Revised) as a result of the revisions to the definitions of listed entity and public interest entity in the IESBA Code
- Narrow scope amendments to IAASB standards arising from the IESBA's using the work of an external expert project

12. In June 2026, the IAASB approved an exposure draft which was issued in July 2026. The IAASB is consulting on the proposed revisions, with comments closing on 19 November 2026. The IAASB explanatory memorandum and exposure draft are included in the supplementary papers.

13. In June, the NZAuASB agreed that it made sense to consult with New Zealand stakeholders on the local and international proposals at the same time.

Key proposals in the international consultation

14. Key revisions considered by the IAASB in developing an exposure draft to update the ISA for LCE for changes in the auditing standards in a proportionate way include:

- *Fraud standard:* clarify the roles and responsibilities of the auditor for fraud in an audit of financial statements, establish more robust procedures to risks of material misstatement due to fraud, reinforce the importance of professional scepticism and improve communications between the auditor, governance and users of audit reports.
- *Going Concern:* promote a consistent behaviour in response to identified risks of material misstatement related to going concern, strengthen the auditor's evaluation of management's assessment of going concern, and enhance transparency in the auditor's responsibilities and strengthen communications and reporting requirements.
- *Listed entity and PIE definitions, and using the work of an external expert:* address interoperability of the auditing standards and code of ethics.

15. Key matters debated in developing proposals that are proportionate for an LCE were:

- *Presumption of risk of material misstatement (ROMM) due to fraud in revenue recognition*: The IAASB considered differing views on the presumption of ROMMs due to fraud in revenue recognition for LCEs. Some stakeholders supported aligning with ISA 240 (Revised), noting that fraud risks can arise in LCEs. Others considered the presumption is more likely to be rebutted in LCEs because revenue streams are often simple. On balance, the IAASB proposes to strengthen the auditor's assessment by requiring the auditor to "determine" rather than "evaluate" revenue streams that may give rise to ROMMs due to fraud, taking into account fraud risk factors, as required by ISA (NZ) 240 (Revised). This approach acknowledges that, although revenue streams for LCEs may be simple, the risk of fraud and management override of controls still exists. The IAASB however, moderated the related application material to reflect the proportionality principle. Unlike ISA (NZ) 240 (Revised) which expects rebuttal of the presumption only in limited circumstances, the proposed LCE revisions recognise that the characteristics of LCEs, including simple revenue streams, may support a conclusion that no ROMM due to fraud exists in revenue recognition after considering relevant fraud factors.
- *Management's assessment period of going concern:* The proposals align with the revised going concern standard by requiring management to assess going concern for at least 12 months from the date the financial statements are approved. The proposals emphasise that management is responsible for this assessment and that whilst in an LCE environment management may perform the assessment less formally, this does not remove the requirement to undertake it. The level of formality may also influence the auditor's procedures to evaluate the assessment, including corroborating discussions with management. This change is not significant in New Zealand because it aligns the assessment period with the extant requirement of 12 months from the auditor's report date, which in practice is usually within a few days of financial statement approval. As such, the NZ paragraphs addressing this issue can be removed.

Consultation document approval

16. The New Zealand consultation document outlines the domestic and international proposals, benefits and costs identified as a result of the proposals, any compelling reason changes and questions for consultation.

17. We seek approval of the consultation document including:

(a) Do you agree with the identified benefits and costs?

(b) Are there any other benefits and costs to consider?

(c) **Do you agree with the consultation questions?**

Engagement plan

18. Staff plan to undertake the following activities to consult on the proposals:

- Walkthrough webcast: to provide a brief (5-minute) overview of the proposals
- Virtual deep dive: a virtual session in early September to inform stakeholders, and to obtain initial feedback. This will cover the use of service organisations.
- Targeted stakeholder sessions: informal discussion with potential LCE auditors to answer questions on the proposals and obtain feedback.
- LinkedIn posts: to promote the consultation

19. The XRB continues to monitor the uptake of the ISA (NZ) for LCE standard in New Zealand. We understand that a software methodology tool is now available in New Zealand for auditors seeking to apply the ISA for LCE standard. We continue to engage with practitioners to learn about their experiences in applying the LCE standard. We plan to convene a community of practice event at an appropriate time to share learnings.

20. We propose to seek feedback on the consultation document by 5 October.

Next Steps

NZAuASB Meeting	Objective
October 2026	Initial discussion on domestic proposal and approval of submission for international proposals.
December 2026	Discuss feedback on domestic proposal and any proposed adjustments
February 2027	Approve domestic amending standard
Q3 2027	Approve international amending standard

Recommendations

21. We recommend that the Board, subject to any changes agreed at the meeting:

(a) APPROVE the domestic exposure draft; and

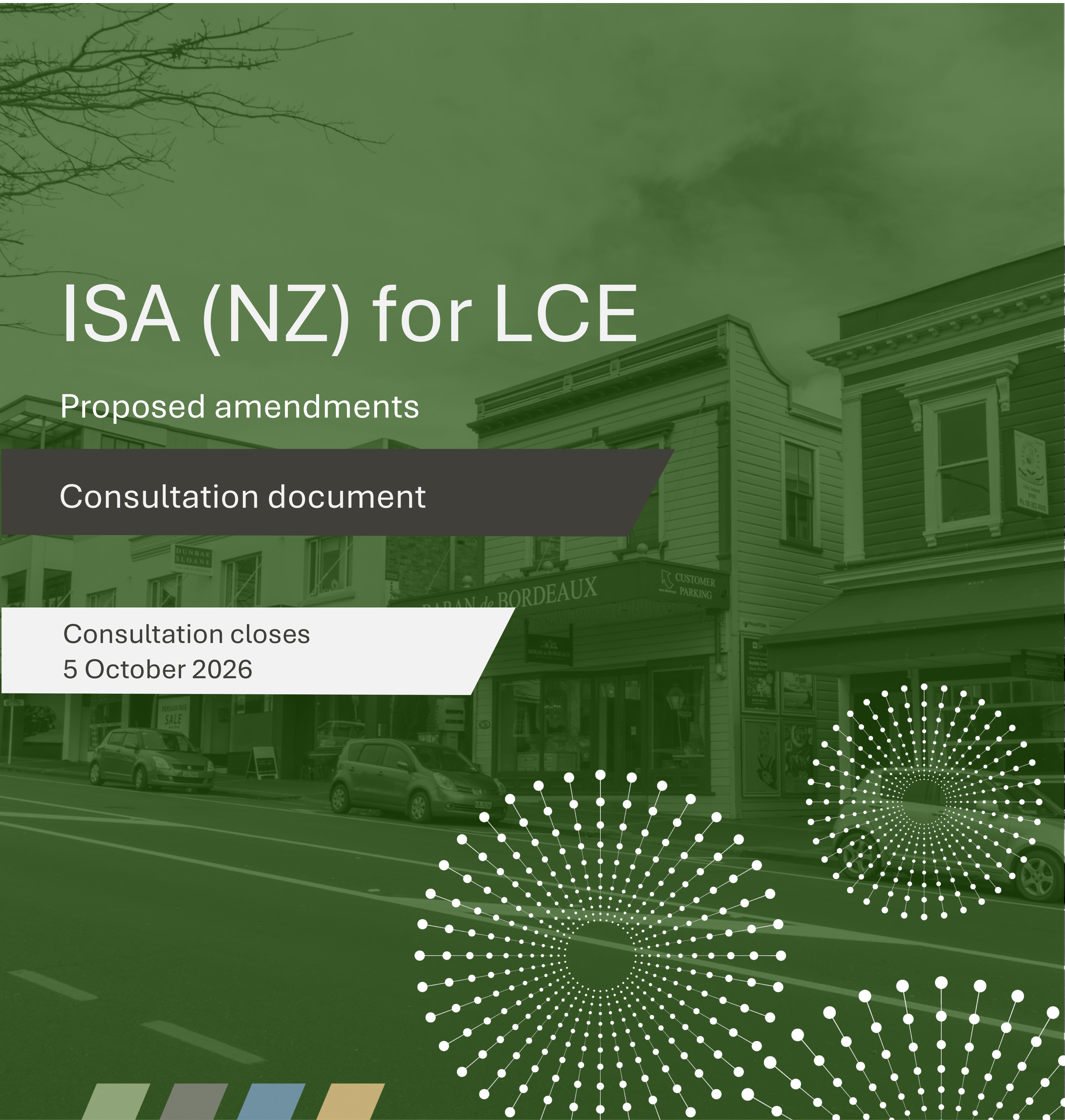
(b) APPROVE the draft consultation document; and

(c) NOTE the engagement plan

Material presented

- Board meeting summary paper
- Domestic exposure draft
- Consultation document
- Analysis workpaper (supplementary)
- IAASB exposure draft and consultation paper (supplementary)

Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD



ISA (NZ) for LCE

Proposed amendments

Consultation document

Consultation closes
5 October 2026

August 2026

Contents

Part 1: Why this consultation matters for LCE audits

This consultation document seeks feedback on two distinct but related matters affecting the ISA (NZ) for LCE. First, we propose targeted New Zealand-specific amendments to enable auditors to use controls reports from service organisations as audit evidence in certain circumstances. Second, we seek views on international proposals developed by the IAASB to maintain the ISA for LCE following recent changes to auditing standards. We are consulting on these matters together because both may affect auditors using the ISA (NZ) for LCE, but they have different purposes and different proposed application dates.

We seek comment on New Zealand specific amendments to the ISA (NZ) for LCE

We continue to closely monitor adoption of the standard in New Zealand to understand how it is being used and what further support is needed. We have recently heard that auditors consider that restrictions on how controls reports may be used under the current standard are perceived as a barrier for adoption of the ISA (NZ) for LCE standard. While these restrictions align with the international standard, we have heard concerns from New Zealand stakeholders

Auditors may obtain controls reports from service organisations and may want to rely on those reports as audit evidence. The current ISA (NZ) for LCE does not fully support that. We are therefore proposing targeted New Zealand amendments to the standard to allow auditors to rely on controls reports as audit evidence and ensure that the ISA (NZ) for LCE is fit for purpose in New Zealand.

We invite your views on the proposed narrow, targeted amendments to the International Standard on Auditing (New Zealand) for Audits of Financial Statements of Less Complex Entities (ISA (NZ) for LCE). The proposed amendments add conditional requirements, that would apply in relevant circumstances and enable auditors to rely on controls reports as audit evidence when using the ISA (NZ) for LCE.

We seek comment on international proposals to maintain the ISA (NZ) for LCE

We also invite your views on the IAASB's proposals to maintain the ISA for LCE. The proposals respond to revisions to standards and requirements on going concern, fraud, publicly traded entities and using work of an expert.

Your comments on the international proposals will inform our submission to the IAASB and help us determine if there are any further changes needed for New Zealand.

Roadmap for navigating the two consultations

This consultation covers two connected matters:

- Part 3 asks for feedback on proposed New Zealand amendments about using controls reports from service organisations as audit evidence.
- Part 4 asks for feedback on the IAASB's international proposals to maintain the ISA for LCE, including changes relating to fraud, going concern, publicly traded entities, and using the work of an expert.

We are consulting on both matters together because they affect auditors considering whether to use the ISA (NZ) for LCE. However, they have different sources, different purposes, and different proposed application dates.

This consultation document should be read in conjunction with:

- the proposed New Zealand amendments to the ISA (NZ) for LCE; and
- the IAASB's explanatory memorandum and exposure drafts on maintaining the ISA for LCE.

Part 2: How to provide feedback

Responding to our consultation questions

Please feel free to comment on any or all of the questions on the proposed standard.

We appreciate both formal and informal comments. To reach a balanced view we also appreciate both supportive and critical comments.

All comments received will be considered.

Verbal feedback

You can provide feedback during virtual and in-person feedback forums. Information about dates and times can be found on our events page. [add link]

Written submissions

Submissions can be provided via any of the avenues below:

- Email us: assurance@xrb.govt.nz
- Complete the online form on our website
- Comment on our LinkedIn page

All submissions will be published on the XRB website unless confidentiality is requested[1].

The consultation closes on 5 October 2026

Events

Keep an eye on our website for details on events and information relating to this consultation.

Consultation questions

Part 3	
1.	**Do you agree with our understanding and our view on the necessary amendments?**
2.	**Do you agree the proposals are appropriately scoped and proportionate? If not, why not and what changes do you suggest?**
3.	**Do you agree that the requirements and Essential Explanatory Material are clear and workable? If not, what changes would help improve clarity or application?**
4.	**Do you agree that the expected benefits of the proposed amendments, listed on page 7, outweigh the implementation costs and other practical challenges? If not, why not?**
5.	**Are there any other benefits or costs that we should consider?**
6.	**Do you agree with an application date of periods beginning on or after 1 March 2026?**
Part 4	
7.	**We seek your views on the questions raised in the IAASB's explanatory memorandum.**
8.	**Do you agree that the expected benefits of the proposed amendments, in the IAASB exposure draft outweigh the implementation costs and other practical challenges, listed on page 10? If not, why not?**
9.	**Are there any other benefits or costs that we should consider?**
10.	**Do you agree we should replace references from listed entity to publicly traded entities?**

[1] Submissions are subject to the Official Information Act 1982 and the Privacy Act 2020. The XRB will handle information in accordance with these Acts. If you object to the release of any information in your submission, please identify the specific parts and the reasons under the Official Information Act 1982. We reserve the right not to publish defamatory submissions

11. Are there any compelling reason changes the XRB should make in New Zealand?

Part 3: We propose New Zealand additions for when an entity uses a service organisation

Current standard is restrictive as to when controls reports can be used as audit evidence

LCEs may often use external services from service organisations. Service organisations may initiate, record and process certain transactions. They may also maintain accounting records.

The ISA (NZ) for LCE recognises that a LCE may use a service organisation. However, when an auditor wants to rely on a type 1 or type 2 controls report as audit evidence, the current standard does not include all the relevant ISA (NZ) 402[2] requirements needed to support that approach.

The standard was deliberately not designed for audits that rely on control reports as audit evidence. The rationale that informed the IAASB's approach was that reliance on these reports as audit evidence (i.e. for the operating effectiveness of controls) is not typical for audits of LCEs.

The general introductory EEM explains why the ISA (NZ) for LCE does not include all requirements from ISA (NZ) 402). Those omitted requirements relate to using controls reports as audit evidence about the design, implementation, and operating effectiveness of controls. The EEM explains that these requirements would ordinarily not apply to an audit of an LCE (see the last bullet point in the general introductory EEM above paragraph A.3).

We consider New Zealand-specific changes are needed

Based on our recent engagement with stakeholders, auditors considering the ISA (NZ) for LCE explained that, in some circumstances, they rely on controls reports as audit evidence when auditing LCEs. Outsourcing of business functions is increasing, which could affect how audits of LCEs are performed in future.

For example, a small charity may hold significant managed investments. The charity itself may still be less complex, but the auditor may need evidence about controls operated by the service organisation. In those circumstances, a type 1 or type 2 controls report may provide relevant audit evidence, if the report is suitable for the auditor's purposes.

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.

Our high-level understanding of how these controls reports are currently used in practice is as follows:

- Available controls reports provide the auditor with an understanding of the nature of the services provided by the service organisation. Using controls reports to obtain this understanding is currently permitted and does not necessitate any amendments to the ISA (NZ) for LCE.
- When gathering audit evidence over specific assertions, the auditor does, in some circumstances, rely on the controls reports about the design and implementation, and operating effectiveness of controls.

  For example, for an investment held at year-end, an auditor may confirm the number of units or shares held at year-end, and the value of each unit or share, directly with the fund manager. However, the auditor may not have direct visibility over the fund manager's processes for calculating those balances and values. Available controls reports may provide evidence about the

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

design, implementation, and operating effectiveness of relevant controls. That evidence may contribute to the auditor's cumulative body of audit evidence and support the accuracy and completeness (i.e. the reliability) of the confirmation obtained from the fund manager.

We have not described all the procedures that the auditor would undertake in these circumstances.

We propose to add requirements and application material from ISA (NZ) 402, tailored appropriately for audits of less complex entities

The proposed amendments are narrow in scope and targeted to the specific issue identified in New Zealand, namely enabling auditors to use type 1 or type 2 controls reports as audit evidence where appropriate.

We have therefore included only those requirements from ISA (NZ) 402 and essential explanatory material needed to support that outcome in a proportionate way for audits of less complex entities. We have not included requirements that are already addressed elsewhere in the ISA (NZ) for LCE, such as the consequence of being unable to obtain sufficient appropriate audit evidence, or material that is background, procedural, or overly detailed for the drafting style of the standard.

We have also not included parts of ISA (NZ) 402 that are unlikely to be relevant in an audit of a less complex entity, or that may indicate a level of complexity inconsistent with use of the ISA (NZ) for LCE. This includes detailed procedures for using another auditor to perform work at the service organisation[3], public sector-specific access considerations, and requirements or explanatory material about referring to the work of a service auditor in the auditor's report. Similarly, we have not included detailed examples and "how to" application material unless it is needed as essential explanatory material to support consistent application of the proposed requirements. This approach keeps the amendments narrow, proportionate and consistent with the purpose and drafting conventions of the ISA for LCE, while still enabling auditors to use controls reports as audit evidence in appropriate circumstances.

The proposed New Zealand amendments would:

- Add definitions for type 1 reports, type 2 reports, complementary user entity controls, subservice organisations, and a service organisation's system
- Add EEM on service organisations and the types of services they provide
- Add conditional requirements for using type 1 or type 2 controls reports as audit evidence; and
- Add a conditional requirement relating to fraud, non-compliance with laws and regulations and uncorrected misstatements in relation to activities at the service organisation.

The New Zealand specific conditional requirements would apply only when the auditor chooses to use controls reports as audit evidence.

Do you agree with our understanding and our view on the necessary amendments?

The proposed requirements and requirements are intended to enable auditors to use controls reports as audit evidence where appropriate, without changing the broader principles-based and proportionate nature of the ISA (NZ) for LCE. We are interested in feedback on whether the proposed requirements achieve that balance.

[3] Use of component auditors is already prohibited in the ISA for LCE unless in specific circumstances.

Do you agree the proposals are appropriately scoped and proportionate? If not, why not and what changes do you suggest?

Do you agree that the requirements and Essential Explanatory Material are clear and workable? If not, what changes would help improve clarity or application?

We consider the benefits of New Zealand specific changes outweigh the costs

In developing these amendments, we considered whether the expected benefits of the New Zealand-specific amendments outweigh the potential costs and challenges.

Potential benefits

Better reflects the New Zealand environment and promotes consistency in practice

- Aligns the standard with the audit approach currently in practice in New Zealand
- Reduces the risk that auditors of less complex entities are excluded from using the ISA (NZ) for LCE
- Supports a consistent application across firms and engagements

Supports greater adoption of the ISA (NZ) for LCE

- Removes a key barrier identified
- Increases the circumstances in which the standard can be used
- Supports the objective to provide a proportionate alternative to full ISAs (NZ)

Improves audit efficiency without reducing audit quality

- Allows auditors to use relevant type 1 and type 2 reports where available
- Maintains audit quality

Potential costs

Implementation costs for audit firms

- Updating methodologies, templates, and guidance
- Training staff on the new requirements
- Adjusting audit documentation

These are expected to be one-off costs and are not expected to be significant as firms are already familiar with the approach set out in ISA (NZ) 402.

Reduced alignment with the international standard

- New Zealand-specific requirements would differ from the international ISA for LCE
- This may create some issues for firms who use methodology based on the international version

On balance, we consider that:

- the benefits outweigh the costs
- the amendments provide a targeted and proportionate response to a clearly identified issue
- the amendments support the public interest by enabling high-quality, efficient audits of LCEs in New Zealand and removing a perceived barrier to adoption.

Do you agree that the expected benefits of the proposed amendments outweigh the implementation costs and other practical challenges? If not, why not?

Are there any other benefits or costs that we should consider?

We propose an application date as soon as possible

We understand that the issue is a perceived barrier to adoption of the standard. We therefore propose to allow adoption as soon as possible. We propose an application date for accounting periods beginning on or after 1 March 2026, with early adoption permitted depending on when we finalise the amendments.

Although the international standard currently has a stability period of three years, we consider that an earlier application date would address the perceived adoption barrier sooner. It would also support firms that are currently preparing their audit methodologies and tools for ISA (NZ) for LCE engagements. This would allow the use of controls reports to be built into those methodologies now, rather than requiring later rework.

Do you agree with an application date for periods beginning on or after 1 March 2026?

Part 4: We propose to adopt international proposals to maintain the ISA for LCE

Part 3 focused on a New Zealand issue that we propose to address locally. Part 4 is different. It asks for your views on international proposals developed by the IAASB to keep the ISA for LCE aligned with recent changes to the auditing standards. Your feedback will help shape the XRB's submission to the IAASB and our later decisions on New Zealand adoption.

We are preparing a submission to the IAASB

The IAASB is proposing targeted updates to the ISA for LCE following recent revisions to the full ISAs. These relate to fraud and going concern. There are also updates that address interoperability with the code of ethics. These relate to publicly traded entities and using the work of an external expert. The IAASB's aim is to keep the ISA for LCE current while preserving its proportionate nature.

This section should be read in conjunction with the IAASB's explanatory memorandum and exposure draft on maintaining the ISA for LCE. In developing its standards, the IAASB considers the qualitative standard-setting characteristics set out in the Public Interest Framework.[4] The objective of the IAASB is to serve the public interest by setting high-quality auditing, assurance, and other related standards, thereby enhancing the quality and consistency of practice throughout the world and strengthening public confidence in the global auditing and assurance profession. The IAASB's Public Interest Framework identifies the qualitative characteristics of standards that are responsive to the public interest. The IAASB explains in the Explanatory memorandum how those characteristics have been considered and reflected in the proposals.

The IAASB is committed to maintaining the ISA for LCE for changes in the business and audit environment. The IAASB's Approach for Maintaining the ISA for LCE describes the agreed approach to do so.

The revisions to the fraud standard clarify the auditor's roles and responsibilities for fraud in an audit of financial statements. They also establish more robust procedures for responding to risks of material misstatement due to fraud, reinforce the importance of professional scepticism and improve communications between the auditor, those charged with governance and users of audit reports.

[4] See the Public Interest Framework published by the Monitoring Group in July 2020 (as part of their report "Strengthening.the. International.Audit.and.Ethics.Standard_Setting.System"). The Public Interest Framework sets out a framework for the development of high-quality international standards by the IAASB that are responsive to the public interest. Among other matters, the Public Interest Framework explains for whom standards are developed, what interests need to be served and what characteristics standards should exhibit.

Revisions to the going concern standard promote a consistent response to identified risks of material misstatement related to going concern. They strengthen the auditor's evaluation of management's going concern assessment and enhance transparency about the auditor's responsibilities, communications and reporting requirements. A key proposed change would require management's assessment period to be at least 12 months from the date the financial statements are approved. This aligns with current New Zealand practice of 12 months from the date of the auditor's report.

Further information on revisions to the fraud and going concern auditing standards can be found on the XRB website.

We plan to adopt the proposals once finalised

The IAASB's exposure draft gives you an opportunity to comment on the proposed revisions to the ISA for LCE.

We seek your views on the questions raised in the IAASB's explanatory memorandum.

The XRB's strategy is to adopt international standards where appropriate to support global consistency, credibility and confidence in New Zealand's financial reporting and assurance framework. International alignment promotes high-quality assurance and comparability of assurance outcomes. The ISA (NZ) for LCE is not stand-alone regulation. It is part of the broader system of auditing and assurance, related service and professional and ethical standards. Its purpose is to increase trust and confidence in high quality assurance by amending the ISA (NZ) for LCE .

This strategy is balanced with the XRB's responsibilities as a setter of secondary legislation to consider the potential benefits and potential costs of revising or issuing auditing standards.

In considering the proposed IAASB amendments to ISA for LCE we have identified the following potential benefits and potential costs:

Potential benefits

Global.audit.quality.and.comparability.(users.and.auditors).

- Alignment with international standards enhances the credibility of financial reporting and supports regulatory confidence.

Enhanced.confidence.in.assurance.outcomes.(users).

- Consistent, principle-based requirements reduce variability in audit approaches and strengthens trust in assurance conclusions. The proposals strengthen requirements in key public interest areas such as fraud and going concern. This supports user protection, market integrity and informed decision-making.

Proportionate.and.scalable.(auditors).

- IAASB's LCE standard is designed especially for LCEs. The proposals aligns with the current ISAs (NZ) to provide the same level of assurance as an audit performed under the ISAs but tailored for the LCE environment.

Efficiency.from.leveraging.global.due.process.(Reporting.Entities.and.Assurance.Practitioners)¿

- IAASB standards are developed through extensive consultation, research and testing. Jurisdictions benefit from global expertise on LCE audit issues without needing to develop local standards.

Potential costs

Implementation.and.methodology.updates.for.audit.firms

- The revised IAASB standards often require changes to audit and assurance methodologies, tools, templates, and quality management systems. Assurance practitioners incur costs for training, updating software, and redesigning processes. Strengthened requirements in fraud and going concern may require increased work effort.

Proportionality.challenges.for.smaller.firms.(Assurance.Practitioners).

- Notwithstanding that the IAASB's standards are designed to be proportionate and scalable, they may still be complex for small and medium assurance firms. Additional guidance may be required to support consistent application of the standards.

We have considered the major expected qualitative benefits and costs, the parties affected, and the practical constraints on quantification of costs and benefits.

Do you agree that the expected benefits of the proposed amendments, in the IAASB exposure draft outweigh the implementation costs and other practical challenges? If not, why not?

Are there any other benefits or costs that we should consider?

We propose to adopt the international proposals, with no New Zealand-specific modifications

The XRB modifies standards it intends to adopt only when the compelling reason test is triggered. This occurs when the international standard does not reflect, or is not consistent with New Zealand legal and regulatory arrangements or principles and practices that are appropriate having regard to the New Zealand public interest.

There are a range of prohibitions for use in the extant ISA for LCE. The IAASB is proposing to broaden one category, prohibiting use for audits of publicly traded entities (broader than the extant exclusion for listed entities (at specific prohibitions paragraph A.1.(b) and EEM above paragraph A.3.).

We have not identified a compelling reason to modify this expanded prohibition in New Zealand. If we adopt this change it would mean that the ISA (NZ) for LCE standard could not be used on the audits of any entities that meet the definition of a publicly traded entity.

In the New Zealand context, for example this may mean auditors of entities listed on Catalist or the Unlisted Securities Exchange would be precluded from using the ISA (NZ) for LCE standard.

FMC reporting entities considered to have higher level of public accountability are already excluded in the extant standard.

Changes will be made to reflect references, language and grammatical conventions used in New Zealand.

Do you agree that we should replace references from listed entity to publicly traded entity?

Are there any compelling reason changes the XRB should make in New Zealand?

Part 5: Glossary

EEM	Essential Explanatory Material
IAASB	International Auditing and Assurance Standards Board
ISA (NZ) for LCE	International Standard on Auditing (New Zealand) for Audits of Financial Statements of Less Complex Entities
LCE	Less Complex Entity
PIE	Public interest entity
Service organisation	A third-party organisation (or segment of a third-party organisation) that provides services to user entities that are relevant to a user entity's process to prepare its financial statements.
Type 1 report	A report on the description and design of controls at a service organisation that comprises: • A description, prepared by management of the service organisation, of the service organisation's system, control objectives and related controls that have been designed and implemented as at a specified date; and • A report by the service auditor with the objective of conveying reasonable assurance that includes the service auditor's opinion on the description of the service organisation's system, control objectives and related controls and the suitability of the design of the controls to achieve the specified control objectives.

Type 2 report	A report on the description, design, and operating effectiveness of controls at a service organisation that comprises:
	• A description, prepared by management of the service organisation, of the service organisation's system, control objectives and related controls, their design and implementation as at a specified date or throughout a specified period and, in some cases, their operating effectiveness throughout a specified period; and
	• A report by the service auditor with the objective of conveying reasonable assurance that includes:
	  ○ The service auditor's opinion on the description of the service organisation's system, control objectives and related controls, the suitability of the design of the controls to achieve the specified control objectives, and the operating effectiveness of the controls; and
	  ○ A description of the service auditor's tests of the controls and the results thereof.

XRB	External Reporting Board

View standards in the XRB Standards Navigator

Standards are available on the XRB Standards Navigator https://standards.xrb.govt.nz/standards-navigator/

Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Amendments to the ISA (NZ) for LCE 2026

Exposure draft

Consultation closes
5 October 2026

August 2026

Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Exposure draft

Exposure draft: Amendments to the ISA (NZ) for LCE 2026

CONTENTS

Page

Title

0.1 This standard is the Amendments to the ISA (NZ) for LCE 2026.

Commencement

0.2 This standard takes effect on the 28th day after the date of its publication under the Legislation Act 2019 (see section 27 of the Financial Reporting Act 2013).

Principal standards

0.3 This standard amends the following principal standards:

International Standard on Auditing (New Zealand) for Audits of Financial Statements of Less Complex Entities (**ISA (NZ) for LCE**)

How amendments are made

0.4 In this standard, text in the principal standard is deleted or inserted as follows:

(a) text that is shown as ~~struck out~~ is deleted from the stated provision of the principal standard

(b) text that is shown as underlined is inserted into the provision, or is inserted as a new provision, of the principal standard

Any other text included in this standard is only for the purposes of identifying these amendments within the principal standards.

Application

0.5 This standard commences to apply in relation to accounting periods that begin on or after 1 March 2026.

Amendments to ISA (NZ) for LCE 2026

EEM to paragraph A.3. amended

[NZ] Also, the ISA (NZ) for LCE does not include any requirements addressing:

- *Procedures or matters typically relevant to listed entities, including reporting on segment information or key audit matters.*
- *When the auditor intends to use the work of internal auditors, as this would ordinarily not be applicable to an audit of an LCE.*
- ~~*When the auditor intends to use a report provided by a service auditor of a service organisation either as audit evidence about the design and implementation of controls at the service organisation (i.e., a type 1 or type 2 report), or as 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.*~~

EEM at paragraph 6.3.11. amended

Understanding the Services Provided by a Service Organisation

6.3.11. If the entity uses the services of a service organisation and those services are relevant to the entity's process to prepare its financial statements, the auditor's understanding in accordance with paragraphs 6.3.8. shall include:

(a) The nature of the services provided by the service organisation and the significance of those services to the entity including the effect thereof on the user entity's system of internal control;

(b) The nature and materiality of the transactions processed or accounts or financial reporting processes affected by the service organisation;

(c) The degree of interaction between the activities of the service organisation and those of the user entity; and

(d) The relevant contractual terms for the activities undertaken by the service organisation.

The auditor's understanding shall be sufficient to provide an appropriate basis for the identification and assessment of the risks of material misstatement.

[NZ] LCEs may ~~often~~ use external ~~bookkeeping~~ services ranging from the initiation, recording and processing of ~~certain~~ transactions (for example, processing of payroll and payment of payroll taxes) and maintenance of their accounting records to the preparation of their financial statements. The use of such a service organisation for the preparation of its financial statements does not relieve management of the less complex entity and, where appropriate, those charged with governance of their responsibilities for the financial statements.

[NZ] Service organisations do not include financial institutions that only process transactions for an entity's account held at the financial institution in accordance with the entity's specific authorisation, for example, the processing of account transactions by a bank or securities transactions by a broker.

The services of a service organisation are relevant to the entity's process to prepare its financial statements when those services, and the controls over them, are part of, or affect the process described in paragraph 6.3.8.

The auditor's understanding helps to inform the auditor about the nature and significance of the services provided by the service organisation and their effect on the user entity's system of internal control, which affect the nature and extent of work to be performed by the auditor regarding the *services provided by a service organisation. The significance of the controls of the service organisation relative to those of the entity depends on the degree of interaction between the service organisation's activities and those of the entity. For example, the service organisation may process and account for transactions that are still required to be authorised by the entity, alternatively the entity may rely on such controls being affected at the service organisation.*

[NZ] The service organisation may have engaged a service auditor to provide a report on the description and design (a type 1 report), or on the description, design and operating effectiveness (a type 2 report), of controls at the service organisation. Such reports may assist ~~provide information for~~ the auditor in obtaining an understanding of the user entity's system of internal control. ~~However, this standard has not been designed for, and therefore does not include requirements to address, the auditor's use of such reports as~~ A type 1 report or type 2 report may also be used as audit evidence about the design~~,~~ and implementation of controls and the service organisation, and a type 2 report may be used as audit evidence about the ~~or~~ operating effectiveness of controls at the service organisation.

Four new paragraphs, and EEM, added after paragraph 6.3.11.

6.3.12. If the entity uses the services of a service organisation and those services are relevant to the entity's process to prepare its financial statements, the auditor shall enquire of management whether the service organisation has reported, or the entity is otherwise aware of any:

(a) fraud;

(b) non-compliance with laws or regulations; and

(c) uncorrected misstatements

affecting the entity's financial statements.

The auditor shall evaluate how such matters affect the nature, timing and extent of further audit procedures, including their effect on the auditor's conclusions and auditor's report.

Use of a Type 1 report or Type 2 report

NZ6.3.13. If the auditor intends to use a type 1 report or type 2 report as audit evidence, the auditor shall evaluate:

(a) the professional competence of the service auditor;

(b) the independence of the service auditor from the service organisation;

(c) the adequacy of the standards applied in the type 1 report or type 2 report; and

(d) whether the report is as at an appropriate date or covers an appropriate time period

[NZ] A type 1 report or type 2 report that is as of a date or for a period outside the entity's reporting period may assist the auditor in obtaining a preliminary understanding of the controls implemented at the service organisation if the report is supplemented by additional current information from other sources. If the service organisation's description of controls is as of a date or for a period before the beginning of the period under audit, the auditor may perform procedures to update the information in the type 1 report or type 2 report.

A type 2 report may be intended to meet the needs of a range of users. The auditor may evaluate the relevant tests of controls and results to determine whether the service auditor's report provides sufficient appropriate audit evidence.

NZ 6.3.14 If the auditor intends to use a type 1 or a type 2 report that excludes the services provided by a subservice organisation and those services are relevant to the audit of the user entity's financial statements, the auditor shall apply the requirements of this standard with respect to the services provided by the subservice organisation.

A service organisation may use a subservice organisation to provide some of the services relevant to the entity's process to prepare its financial statements. The auditor may need to consider controls at the subservice organisation when those services are relevant to the audit. In determining the significance of those controls, the auditor may consider the nature and materiality of the transactions processed by the service organisation and the subservice organisation, and the extent of interaction between the entity, the service organisation and the subservice organisation.

NZ6.3.15. If the auditor intends to use a type 1 report or type 2 report as audit evidence to support their understanding about the design and implementation of controls at the service organisation, the auditor shall:

(a) Determine whether complementary user entity controls identified by the service organisation are relevant to the user entity and, if so, obtain an understanding of whether the user entity has designed and implemented such controls; and

(b) Evaluate whether the report provides sufficient appropriate audit evidence to support the auditor's understanding of the design and implementation of controls at the service organisation.

EEM at 7.4.28. amended

Using the Services of a Service Organisation

7.4.28. If the entity is using the services of a service organisation, the auditor shall:

(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.

[NZ] To obtain sufficient appropriate audit evidence, the following procedures may be considered by the auditor:

- *Inspect records and documents held by the user entity;*
- *Inspect records and documents held by the service organisation;*
- *Obtain confirmations of balances and transactions from the service organisation in instances where the user entity maintains its own independent records of balances and transactions;*
- *Obtain a type 2 report, if available.*

Two new paragraphs added after 7.4.28 and EEM added to 7.4.29

NZ7.4.29. If the auditor's risk assessment includes an expectation that controls at the service organisation are operating effectively, the auditor shall obtain audit evidence about the operating effectiveness of those controls

[NZ] The auditor may obtain audit evidence about the operating effectiveness of controls:

- *Obtaining a type 2 report, if available; or*
- *Performing tests of controls at the service organisation.*

Use of a type 2 report

NZ7.4.30. If the auditor intends to use a type 2 report as audit evidence that controls at the service organisation are operating effectively, the auditor shall determine whether the type 2 report provides sufficient appropriate audit evidence about the effectiveness of the controls to support the auditor's risk assessment. In making this determination, the auditor shall:

(a) Determine whether complementary user entity controls identified by the service organisation are relevant to the user entity and, if so, obtain an understanding of whether the user entity has designed and implemented such controls and, if so, testing their operating effectiveness;

(b) Evaluate the adequacy of the time period covered by the tests of controls and the time elapsed since the tests of controls were performed;

(c) Evaluate whether the tests of controls performed by the service auditor and the results thereof, as described in the service auditor's report:

- are relevant to the assertions in the user entity's financial statements and
- provide sufficient appropriate audit evidence to support the auditor's risk assessment.

[NZ] For some assertions, the shorter the period covered by the tests of controls, and the longer the time elapsed since those tests were performed, the less audit evidence the type 2 report may provide. Where there is limited overlap between the period covered by the type 2 report and the period for which the auditor intends to rely on the report, additional audit evidence may be necessary to support the auditor's assessment of the operating effectiveness of controls relevant to those assertions.

Additional audit evidence may be necessary when there have been significant changes to controls at the service organisation outside the period covered by the type 2 report. In determining whether additional audit evidence is necessary, the auditor may consider the significance of the risks of material misstatement at the assertion level, the controls affected by the changes, and the extent of audit evidence already obtained about the operating effectiveness of those controls. Additional audit evidence may be obtained, for example, by extending tests of controls over the remaining period or testing the entity's process to monitor the system of internal control.

The Independent Auditor's Report following NZ9.4.1. amended
Refer to the section headed: Auditor's Responsibilities for the Audit of the Financial Statements

...

As part of an audit in accordance with the ISA (NZ) for LCE, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

…

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by [management ~~and Those Charged with Governance~~]. …

The Independent Auditor's Report following 11.14.1. amended

Refer to the section headed: Auditor's Responsibilities for the Audit of the [Financial Report/Performance Report]

> …
>
> As part of an audit in accordance with the ISA (NZ) for LCE, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:
>
> …
>
> - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by [management~~ and Those Charged with Governance~~]. …

EEM at paragraph 11.19.1. amended

11.19.1. …

> *To obtain sufficient appropriate audit evidence, the following procedures may be considered by the auditor:*
>
> - *Inspect records and documents held by the user entity;*
> - *Inspect records and documents held by the service organisation;*
> - *Obtain confirmations of balances and transactions from the service organisation in instances where the user entity maintains its own independent records of balances and transactions~~.~~;*
> - *Obtain a type 2 report, if available.*

New definitions added to APPENDIX 1 Glossary of Terms

[NZ] Complementary user entity controls – Controls that the service organisation assumes, in the design of its service, will be implemented by user entities, and which, if necessary to achieve control objectives, are identified in the description of its system.

[NZ] Service organisation's system – The policies and procedures designed, implemented and maintained by the service organisation to provide user entities with the services covered by the service auditor's report

[NZ] Subservice organisation – A service organisation used by another service organisation to perform some of the services provided to user entities that are part of those user entities' information systems relevant to financial reporting.

[NZ] Type 1 report – A report on the description and design of controls at a service organisation that comprises:

i. A description, prepared by management of the service organisation, of the service organisation's system, control objectives and related controls that have been designed and implemented as at a specified date; and

ii. A report by the service auditor with the objective of conveying reasonable assurance that includes the service auditor's opinion on the description of the service organisation's system, control objectives and related controls and the suitability of the design of the controls to achieve the specified control objectives.

[NZ] Type 2 report – A report on the description, design, and operating effectiveness of controls at a service organisation that comprises:

i. A description, prepared by management of the service organisation, of the service organisation's system, control objectives and related controls, their design and implementation as at a specified date or throughout a specified period and, in some cases, their operating effectiveness throughout a specified period; and

ii. A report by the service auditor with the objective of conveying reasonable assurance that includes:

   a. The service auditor's opinion on the description of the service organisation's system, control objectives and related controls, the suitability of the design of the controls to achieve the specified control objectives, and the operating effectiveness of the controls; and

   b. A description of the service auditor's tests of the controls and the results thereof.

The Illustrative Engagement letter at Appendix 2 amended

…

We will conduct our audit in accordance with the ISA (NZ) for LCE. The ISA (NZ) for LCE requires that we comply with ethical requirements. As part of an audit in accordance with the ISA (NZ) for LCE, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

…

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by [management~~ and those charged with governance~~].

…

The Illustrative Engagement letter at Appendix 2A amended

…

We will conduct our audit in accordance with the ISA (NZ) for LCE. The ISA (NZ) for LCE requires that we comply with ethical requirements. As part of an audit in accordance with the ISA (NZ) for LCE, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

…

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by [management~~ and those charged with governance~~].

…

Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

NZAuASB Board meeting summary paper

Meeting date:	5 August 2026
Subject:	**Proposed joint AUASB | XRB project plan:** Guidance – Auditing the fair value of a fund's investments in investee funds
Date:	24 July 2026
Prepared by:	Thinus Peyper

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

Agenda item objectives

1. This paper asks the Board to approve the proposed joint AUASB | XRB project plan (Joint Project Plan).

Background

2. The need for guidance has been discussed by both boards at their April and June 2026 meetings. The NZAuASB agreed to developing guidance jointly with the AUASB and that such guidance should be separate from EG Au8 | GS 007 at the June 2026 meeting.
3. Background about the joint project, scope, development process and governance, including timeframes are described in the Joint Project Plan (see agenda paper 8.2).

Matters to consider

Joint project scope

4. The scope focuses on circumstances where access to direct, reliable and timely evidence about fair value may be constrained by the investment structure or information available from the investee fund or its manager.
5. In addition, the scope includes related guidance on the audit considerations of financial statement disclosures about investments in investee funds, including the fair value hierarchy disclosures, where those disclosures are affected by the audit evidence implications described above. This will focus on the auditor's assessment of whether the disclosures are consistent with the applicable financial reporting framework and supported by sufficient appropriate audit evidence.
6. **Does the Board have any comments on including the audit considerations of financial statement disclosures for the auditor within the scope of the project?**

Factors which may affect timeframes

7. Stakeholders are seeking timely guidance from the standard setters.

8. In New Zealand, most affected entities have March year ends, while in Australia most affected entities have June year ends. These different reporting periods create different timing pressures: New Zealand stakeholders are seeking earlier guidance, while Australian stakeholders may accept a later project deadline.

9. The proposed project plan timeline is ambitious and has been developed to respond to stakeholder needs, bearing in mind that there will be differing views amongst our stakeholders.

10. To enable staff to meet this ambitious timeline, it is essential we are able to follow an agile, inclusive due process that incorporates all relevant perspectives through the development phase.

11. The Joint Project Plan describes matters that may arise and could delay planned timeframes.

12. Does the Board have any comments on the risks, due process and timeframe of the project?

Next steps

13. The Joint Project Plan will be presented to the AUASB for approval on 12 August 2026, with an update on the NZAuASB's views and recommendation.

14. Subject to the Boards' approval, we plan to:

    - Finalise the Project Advisory Group (PAG) membership and arrange a first meeting in line with the Joint Project Plan.
    - Discuss guidance topics with stakeholders and develop a first draft in anticipation of the PAG meeting.

Material presented

- Board meeting summary paper
- Joint Project Plan

Australian Government
Auditing and Assurance Standards Board

XRB | Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Joint AUASB | XRB Project Plan

Project Title:	Guidance – Auditing the fair value of a fund's investments in investee funds
Date Prepared:	20 July 2026
Date Approved:	23 July 2026
Prepared by:	Arti Naidu | Thinus Peyper
Reviewed by:	Doug Niven | Misha Pieters

Overview of the Joint Project

Information Gathering/Background

ASIC published its surveillance report 816 *Accounting for your super: ASIC's review into the financial reporting and audit of super funds* in September 2025. The report highlights areas where the quality of financial reporting and audits of registrable superannuation entities (RSE) can be improved. The report highlighted possible challenges relating to audit evidence supporting the fair value of investments held in unlisted Managed Investment Schemes and similar investee funds (investee funds) that are externally managed. These concerns are relevant where the evidence supporting the valuation may be needed in relation to the underlying assets of the investee fund and there may be limitations on obtaining information from the investee fund or its manager, and assurance from its auditor.

To inform the project, staff held discussions with the GS 007 / EG Au8 PAG members, the RSE Taskforce of the AAA-PPC Audit Quality Working Group[1], Australian audit firms, Australian RSE licensees and fund managers, ASIC, APRA, the FMA and New Zealand audit firms. We also considered FMA audit quality monitoring reports issued in previous years that relate to this matter.

This work identified a need for audit guidance on obtaining sufficient appropriate audit evidence relating to the fair value of a fund's[2] investment in an investee fund. The AUASB and NZAuASB considered the need for guidance in April and June 2026 and each agreed that joint guidance should be developed.

Consistent with the Principles of harmonisation of New Zealand and Australian Standards, XRB staff and representatives of the Office of the AUASB will continue to work jointly on developing guidance to achieve consistency where appropriate across jurisdictions.

Stakeholder engagement

Key stakeholders impacted by the joint project are:

- Auditors providing audit and assurance services in the superannuation and investment management services industry; and
- Indirectly:
    - The funds being audited; and
    - The regulators of auditors and funds in Australia and New Zealand

[1] The RSE taskforce was established to develop recommendations to the AAA-PPC Audit Quality Working Group on potential responses to address the matters raised by ASIC in its surveillance report 816.
[2] Reference made to "fund" is meant to include any form of collective investment vehicle, for example, RSEs, Managed Investment Schemes, KiwiSavers, Unit Trusts, etc.

Objective and Scope

Joint Project Objective

Regulators have identified concerns that auditors may not always obtain sufficient appropriate audit evidence to support the fair value of investee funds. In these circumstances, auditors may have limited direct access to reliable information about the investee fund's valuation processes, underlying investments, assumptions and supporting data.

The objective of the joint project is to develop guidance to assist auditors in determining the audit evidence that is needed and the procedures that may be appropriate when auditing the fair value of a fund's investment in an investee fund.

Joint Project Scope

The guidance will address the audit evidence implications where a fund's financial statements include investments in unlisted investee funds that are externally managed. The scope focuses on circumstances where access to direct, reliable and timely evidence about fair value may be constrained by the investment structure or information available from the investee fund or its manager.

Investments within scope	Audit evidence implications
The fund holds an investment in an unlisted investee fund;	Unlisted investee funds are not publicly traded and may be valued periodically, rather than daily, without transparency as to the internal calculation of unit prices and units on issue. This can limit observable pricing information and increases the need for audit procedures focused on the reliability of the investment value. Where the investee fund is externally managed, information about valuation processes, controls assumptions and supporting data may be held by the manager or other third parties, which affects the accessibility of such information.
The investee fund is externally managed; and	
The auditor's access to direct, reliable or timely valuation evidence may be constrained.	

Characteristic affecting audit evidence	Audit evidence implications
The investee fund may or may not prepare financial statements.	The availability and reliability of financial information, and whether it has been audited, may affect the nature and extent of audit evidence available to the fund auditor.
Any financial statements prepared by the investee fund may be audited or unaudited.	
The investee fund's reporting date may differ from that of the fund.	Different reporting dates may require evidence about the movements in fair value between the investee fund's reporting date and the fund's reporting date.
The investee fund may hold underlying investments across domestic and/or foreign, listed and unlisted investment classes.	The nature of the underlying investments may affect the transparency, frequency and reliability of pricing information.

Other Scope-related Matter – Financial Statement Disclosures (including the fair value hierarchy)

The guidance will include audit consideration for financial statement disclosures about investments in investee funds, including the fair value hierarchy disclosures, where those disclosures are affected by the audit evidence implications described above. This will focus on the auditor's assessment of whether the disclosures are consistent with the applicable financial reporting framework and supported by sufficient appropriate audit evidence.

This project will require coordination with the AASB and NZASB as it interrelates to reporting and the preparer.

Matters that are Out of Scope

The joint project is limited to audit guidance for the auditor of a fund's financial report. It will not address financial reporting guidance for the preparer of a fund's financial report. The project scope may be refined through the PAG process. Any proposed change that would materially affect the project scope or timing of the project will be discussed with the Boards before being pursued.

Joint Project Governance

Project Advisory Group (PAG)

To assist both Boards with the joint project, a PAG will advise on the development of the joint guidance. The PAG comprises member representatives from Australia and New Zealand and is chaired by the AUASB board Chair. Members highlighted in blue agreed to participate and may nominate a firm representative with experience in the joint project scope.

Member		Jurisdiction
Chris Barber	PwC	New Zealand
Donna Berry	KPMG	New Zealand
Brett Kallio	EY	Australia
Emma Gilchrist	EY	Australia
Carley Bryce	PwC	Australia
Kelsey Johnson | Tari Makanda	Grant Thornton	Australia
Doug Niven	AUASB	Australia
Rebecca Palmer	NZAuASB	New Zealand
Vincent Sita	Deloitte	Australia
Nhung Southwell	KPMG	Australia
James Sheperd	Deloitte	New Zealand
Emma Winsloe	EY	New Zealand

Risks/Issues

Risk/Issue to meeting project objective	Planned Mitigation Activities
The project scope expands beyond the approved objective, including matters more appropriately addressed through financial reporting guidance or standard-setting activity.	Maintain a clear scope statement and out-of-scope section in the project plan. Use the PAG to test whether emerging matters are within scope and escalate any material scope change or timing impact to both Boards before progressing.
The joint guidance does not sufficiently address the practical audit evidence challenges auditors face when access to investee fund valuation information is constrained.	Discuss the scope with all stakeholders, taking into account the proportionality, cost implications and the value the guidance is expected to add. Draw on regulator findings, PAG input, audit firm experience and industry consultation to identify common evidence constraints and practical responses. Test draft guidance against realistic scenarios involving limited access to valuation processes, assumptions and supporting data.
The guidance is perceived as too prescriptive or as creating requirements beyond the auditing standards.	Frame the guidance as principles-based and anchored to existing auditing standards. During guidance development actively consider whether information included goes beyond the existing standards' requirements. Obtain PAG input, Board views and feedback from industry and regulators before consultation and approval.
Australian and New Zealand stakeholder expectations differ, reducing the ability	Use the joint project team and PAG membership to identify jurisdiction-specific considerations early. Maintain common

Risk/Issue to meeting project objective	Planned Mitigation Activities
to produce useful joint guidance that is appropriate across both jurisdictions.	guidance where appropriate and clearly identify any jurisdictional context that affects application.
The merger of the AUASB into the new standard- setting body established under the financial reporting system reform legislation may affect the composition, availability or continuity of Australian board members involved in the project. New members joining the relevant board or governance structure during the project may require additional onboarding and may seek further context or reconsideration of decisions already made, which could affect the project timetable and due process.	Build sufficient time into the project plan for briefing new members and, where necessary, confirm or re-confirm key project decisions to support an effective and transparent due process. Escalate any material impact on project timing, consultation or approval steps to both Boards before progressing.
The AAA-PPC RSE Taskforce recommendation relating to RSE matters identified in ASIC Report 816 was not received by 30 June 2026. This may affect the timing of the project team's consideration of the recommendation and the extent to which it can be reflected in the initial scoping and drafting of the joint guidance.	Continue to progress the project plan based on the matters already identified and agreed through RSE Taskforce, regulator engagement and stakeholder feedback. When the RSE Taskforce recommendation is received, assess whether it raises other significant matters, incorporate relevant points into the project scope or draft guidance where practicable, and escalate any material impact on scope, timing or due process to both Boards before progressing.

Targeted Completion Date

We plan to provide a final draft of the guidance to both Boards for review and approval at their December 2026 board meetings (refer action plan below). In New Zealand, most affected entities have March year ends, while in Australia most affected entities have June year ends. These different reporting periods create different timing pressures: New Zealand stakeholders are seeking earlier guidance, while Australian stakeholders may accept a later project deadline. It is important that the guidance is issued before the annual audits commence to enable auditors to use the guidance during the 2027 reporting periods. The timeline reflects the need to be responsive to stakeholder calls for timely guidance. An inclusive due process that includes the input from regulators, practitioners and industry will be critical to meet the deadline.

This timeline should closely follow both Australian and New Zealand regulator inspection findings reports that are expected in the 4th quarter of 2026.

Action Plan

Action plan steps are outlined in the table below.

Date	Action required from joint project team
5 August 2026	*Seek NZAuASB approval of the joint project plan and approval for the project team to discuss the key project scope topics, to inform development of the 1st draft, for soft consultation with industry bodies, regulators and practitioners, subject to AUASB approval*
12 August 2026	*Update the AUASB on NZAuASB approval of the joint project plan (and any amendments they recommended)* *Seek AUASB approval of the joint project plan and approval for the project team to discuss the key project scope topics, to inform development of the 1st draft, for soft consultation with industry bodies, regulators and practitioners*
W/E 14 August 2026	*The PAG Chair to discuss AAA-PPC RSE Taskforce recommendations with Taskforce Chair*
W/C 17 August 2026	*The project team to discuss the key project scope topics to inform development of the 1st draft 1st draft with industry bodies, regulators and practitioners*
W/C 17 August 2026	*Update and complete work on the 1st draft internally*
W/C 31 August 2026	*PAG meeting on the 1st draft of the joint guidance*
W/C 31 August 2026	*Commence work on the 2nd draft internally*
W/C 14 September 2026	*PAG meeting on the 2nd draft of the joint guidance*
21-25 September 2026	*Review and finalise the joint guidance internally in preparation of October Board meeting packs which are due by 30 September 2026*
7 October 2026	*Discuss the draft guidance at AUASB meeting and seek approval to consult with industry subject to NZAuASB approval*
14 October 2026	*Update the NZAuASB on AUASB approval of the draft guidance for consultation with industry (and any amendments they recommended)* *Discuss the draft guidance at NZAuASB meeting and seek approval to consult*
19 October to 13 November 2026	*Consult with industry bodies regulators and PAG member audit firms*
W/C 16 November 2026	*Review and finalise the joint guidance internally*
20 November 2026	*PAG meeting on the final draft*
26 November 2026	*Review and finalise the joint guidance internally in preparation of December Board meeting packs which will be a late submission*
3 December 2026	*Seek NZAuASB approval of the joint guidance subject to AUASB approval*
4 December 2026	*Update the AUASB on NZAuASB approval of the joint guidance (and any amendments they recommended)* *Seek AUASB approval of the joint guidance*
7-11 December 2026	*Finalise the joint guidance for publishing*
11 December 2026	*Publish the joint guidance*

Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

NZAuASB Board meeting summary paper

Meeting date:	5 August 2026
Subject:	**Audit evidence and risk response**
Date:	20 July 2026
Prepared by:	Misha Pieters and Thinus Peyper

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

Agenda item objectives

1. This paper asks the Board to note the key proposals in the IAASB exposure drafts, approve the New Zealand consultation document for release alongside the IAASB consultation package, and provide direction on the proposed engagement approach and target audiences.

Background

2. At the June 2026 meeting, the IAASB unanimously approved the exposure of ISA 330[1], ISA 500[2], ISA 520[3]; and related conforming and consequential amendments.
3. The IAASB expects to release the exposure drafts as a package in August, with the comment period ending on 15 December 2026.
4. The IAASB is of the view that the three standards will, individually and collectively, improve the quality of audit engagements through addressing key public interest issues related to foundational aspects of obtaining and evaluating audit evidence by designing and performing audit procedures to obtain sufficient and appropriate audit evidence. The proposals aim to:
   - Enhance the application of professional judgement and professional scepticism exercised by auditors:
     - When making judgements about information intended to be used as audit evidence, and evaluating whether sufficient appropriate audit evidence has been obtained.
     - When designing and implementing overall responses or designing and performing further audit procedures in response to assessed risks of material misstatement.
   - Promote consistent practice and auditor behaviours by facilitating effective responses to risks of material misstatement, including by strengthening auditors' work on internal controls.
   - Facilitate, and where appropriate, encourage, auditors' use of technology in obtaining audit evidence and evaluating its sufficiency and appropriateness.

[1] ISA 330, The Auditor's Responses to Assessed Risks
[2] ISA 500, Audit Evidence
[3] ISA 520, Analytical Procedures

Matters to consider

5. The papers include a short summary of the key proposals to provide Board members with an introduction to the exposure drafts before considering the consultation document and engagement plan.

6. The package is relevant because the proposals may affect how auditors design responses to assessed risks, evaluate audit evidence, and use technology in audit procedures. This links to the XRB's strategic priority for the year on understanding and responding to technology impacts on external reporting and assurance and our planned activities to:

   (a) Consult on revisions to auditing standards.

   (b) Convene stakeholder engagement opportunities on key technology topics.

7. The consultation process gives New Zealand stakeholders an opportunity to comment on those changes before the XRB develops its response to the IAASB and informs how we might adopt the standard in New Zealand.

8. We have prepared a New Zealand wrap-around consultation document for Board approval. The document explains the benefits and costs as we understand them and asks stakeholders whether they agree with that assessment. It also identifies the limited compelling-reason changes we consider may be needed in New Zealand and asks whether stakeholders see any other New Zealand specific matters that the Board should consider.

9. We have prepared an outline engagement plan and seek the Board's views on whether our proposed approach will reach the right stakeholders, generate engagement and practical feedback, and support a well-evidenced New Zealand submission.

Next steps

10. We will update the Board at the October meeting on engagement completed to date and seek the Board's views on the proposals to inform development of a submission.

11. We will seek approval of the submission at the December meeting of the Board.

Recommendations

12. We recommend that the Board note the summary of proposals, approve the New Zealand consultation document for release, and provide feedback on the proposed engagement plan, including the approach and target audiences.

Material presented

- Board meeting summary paper
- Summary of proposals
- Draft New Zealand consultation document for approval
- Engagement plan
- Approved text of exposure drafts of ISA 330, ISA 500 and ISA 520 are included in the supplementary papers (the explanatory memorandums are not yet available).

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EXTERNAL REPORTING BOARD

Engagement plan for consulting on audit evidence and risk response

This memo sets out the XRB's engagement approach to consultation on audit evidence and risk response exposure drafts. It seeks feedback on the key audiences, engagement channels and timing so that staff can gather New Zealand comments and input to inform the XRB's submission.

Background

The objectives of the proposals are to:

- Enhance the application of professional judgement and professional scepticism exercised by auditors:
    - When making judgements about information intended to be used as audit evidence, and evaluating whether sufficient appropriate audit evidence has been obtained; and
    - When designing and implementing overall responses or designing and performing further audit procedures in response to assessed risks of material misstatement.
- Promote consistent practice and auditor behaviour by facilitating effective responses to risks of material misstatement, including by strengthening auditors' work on internal controls.
- Facilitate, and where appropriate, encourage, auditors' use of technology in obtaining audit evidence and evaluating its sufficiency and appropriateness.

The proposals strongly align with the XRB's strategic focus on technology. They provide an opportunity to test whether auditing standards remain fit-for-purpose as auditors increasingly use data, automated tools and technology-enabled audit procedures.

Technology-related matters taken into account in developing the audit evidence and risk response exposure drafts included (as linked to the AE &RR project in the IAASB's technology catalogue):

- Whether more clarity is needed in technology-related terminology
- Determining whether to use technological tools to design and perform audit procedures
    - Are there circumstances where the use of technological tools is required to achieve audit objectives
    - Challenges to using technological tools that arise because of how data is produced and maintained by audited entities
- Identifying, assessing and responding to risks arising from the use of technology by audited entities
- Using technological tools that facilitate the design or performance of audit procedures
    - Whether explicit requirements and application material when using technology are necessary
    - Categorisation of audit procedures performed using technological tools
    - Challenges associated with use of technology to perform substantive analytical procedures
    - Testing outliers and exceptions in the output of a procedure performed using technological tools
- Whether specific documentation requirements are needed when designing or performing audit procedures using technological tools

- Evaluating the work of a management's expert when increasingly sophisticated technological tools have been used
- How professional scepticism is impacted

Key messages

We seek New Zealand views on whether the proposed auditing standards remain clear, proportionate and fit-for-purpose as technology changes how auditors obtain and evaluate audit evidence.

- Technology may change how auditors obtain and evaluate evidence, but it does not change the need for sufficient appropriate audit evidence, professional scepticism, professional judgement and appropriate documentation.
- Do the proposals appropriately recognise technology's transformative potential to improve audit quality, while facilitating and, where appropriate, encouraging appropriate technology use, removing real or perceived barriers in standards?
- Do the proposals clarify, strengthen and broaden the auditor's work on internal controls?

Who we plan to engage with

Our plan is to prioritise engagement on how the proposals affect practitioners, including how the use of technological tools affect responses to assessed risks and obtaining and evaluating audit evidence in practice. However, it is an opportunity to engage with the financial reporting ecosystem, to gauge user and preparer expectations in relation to the auditor's use of technological tools during the audit.

Our focus is on issues likely to matter most in New Zealand practice, including scalability for smaller audits, the availability and reliability of entity data, the extent of work expected on internal controls, and whether the proposals are clear enough for consistent application by firms with different methodology and technology capability.

Stakeholders and audience	Details
Auditors	Larger firms: BDO, Deloitte, EY, GT, KPMG, PwC Small to medium-sized firms: PKF, RSM, BakerTilly/Staples Rodway and numerous others
Audit methodology developers and technology specialists	• Firm and network methodology teams; specialists responsible for audit technological tools and analytics; individuals involved in model governance, data and controls. • Audit assistant and audit methodology providers.
Professional bodies	• CA ANZ • CPA Australia
Regulators	• FMA • NZICA • The OA (public sector perspective)
Preparers of financial statements and those charged with governance	• Selection of entities: Private sector Tier 1-4, Private sector PBE, Public sector • IOD
Internal auditors / risk and assurance functions	• Internal audit community and assurance functions that support control design, implementation and monitoring.
Users of the audit report	XRAP members and shareholders association
Other interested stakeholders	Specialist advisers and agencies. Academics

Plans to engage

We will run a targeted engagement process from mid-August to mid-November. The process will move through five stages: launch and briefing, targeted field testing, wider stakeholder engagement, analysis of feedback, and Board consideration before submission finalisation.

We will test whether the proposals are clear, proportionate and capable of consistent application across larger firms and small and medium-sized practices, informed by perspectives of regulators, preparers and those charged with governance, and users of audit reports.

Indicative timing	Engagement activity	Purpose and output
Mid-August	Launch the XRB consultation after the NZAuASB August meeting. Issue an alert that highlights the link between the proposals and emerging technology.	Raise awareness and direct stakeholders to the key questions. Output: consultation alert, web content and stakeholder briefing material.
Late August to mid-September	Hold introductory calls with three to four firms and agree the scope of field testing.	Test how firms interpret and apply selected proposals. Output: agreed field-testing questions and participant list.
Mid-September to early October	Run targeted field testing on selected ISA 330 and ISA 500 proposals, supported by direct meetings with methodology and technology specialists.	Identify operability, scalability and documentation issues. Output: field-testing themes and examples for the draft submission.
Early to mid-October	Hold a virtual feedback forum for practitioners and other interested stakeholders, and meet with regulators including CA ANZ file reviewers, the FMA and the Audit Office.	Gather broader views on clarity, proportionality, audit quality and monitoring implications. Output: feedback summary by stakeholder group.
Mid-October	NZAuASB to provide views to shape developing submission	At the October NZAuASB meeting, we will provide an update on feedback received so far and seek views for inclusion by the Board in the submission.
Mid to late October	Hold a panel discussion on the implications of technology for reporting and assurance in New Zealand.	Bring together perspectives from the reporting ecosystem, including preparers, those charged with governance and users. Output: ecosystem themes to inform the submission.
Late October to early November	Analyse feedback and prepare the draft XRB submission.	Convert engagement findings into clear submission positions. Output: feedback themes paper and draft submission.
Mid-November	Send the draft submission for Board consideration and finalise the response to the IAASB at the December meeting.	Obtain direction on key positions and finalise the submission. Output: Board paper, final submission and stakeholder close-out communication.

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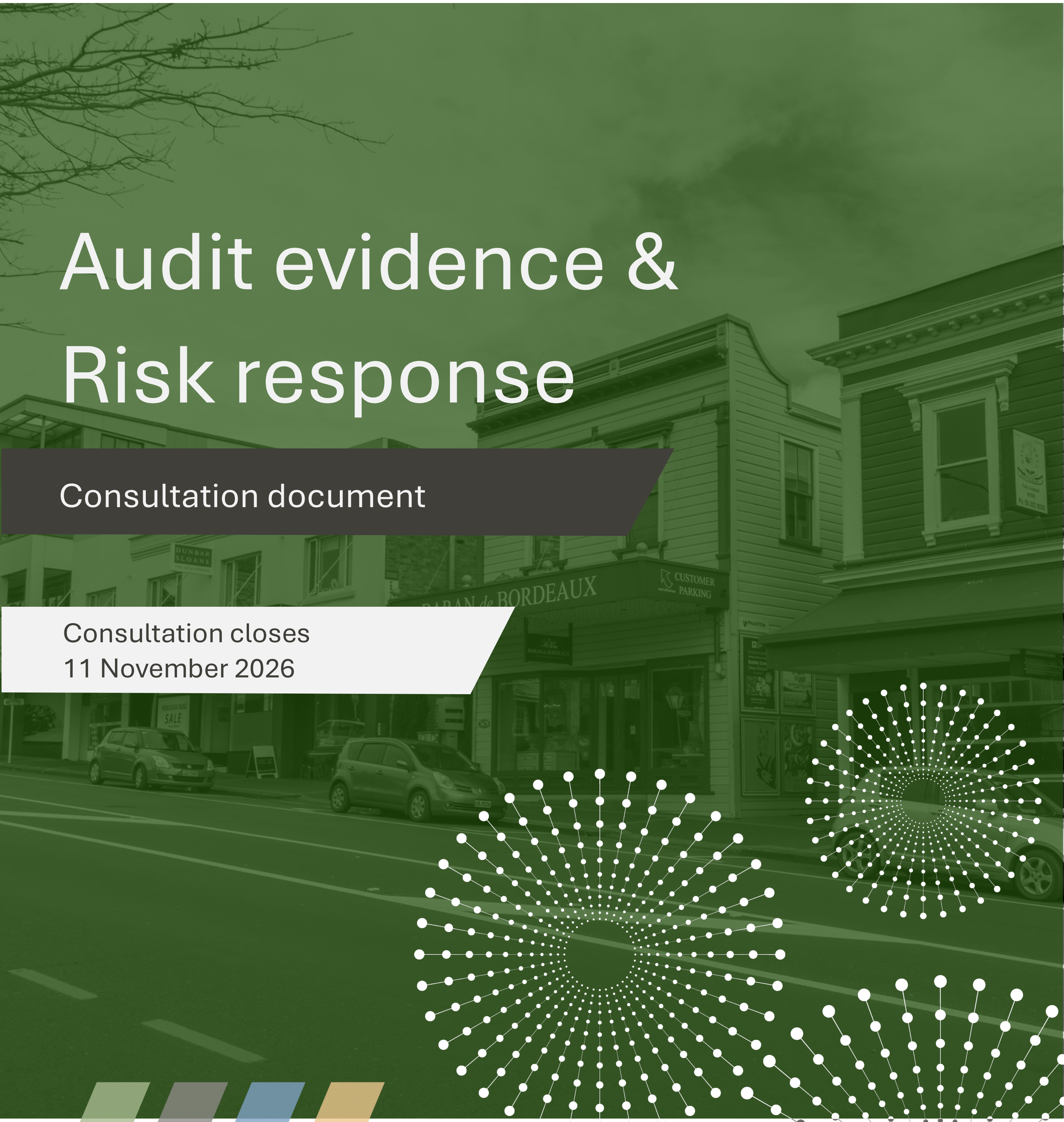
EXTERNAL REPORTING BOARD



Audit evidence & Risk response

Consultation document

Consultation closes
11 November 2026

August 2026

Contents

Part 1: We seek comment on IAASB's proposed revisions to the audit evidence and risk response standards

Why are we consulting?

The IAASB is proposing amendments to:

- ISA 330[1];
- ISA 500[2];
- ISA 520[3]; and
- Related conforming and consequential amendments.

The proposals aim to:

- Enhance the application of professional judgement and professional scepticism exercised by auditors:
  - When designing and implementing overall responses or designing and performing further audit procedures in response to assessed risks of material misstatement; and
  - When making judgements about information intended to be used as audit evidence, and evaluating whether sufficient appropriate audit evidence has been obtained.
- Promote consistent practice and auditor behaviour by facilitating effective responses to risks of material misstatement, including by strengthening auditors' work on internal controls.
- Facilitate, and where appropriate, encourage, auditors' use of technology in obtaining audit evidence and evaluating its sufficiency and appropriateness.

The XRB's strategy is to adopt international auditing and assurance standards, with limited New Zealand changes where necessary to ensure the standards are locally relevant. We expect to issue New Zealand equivalents of the final IAASB standards unless we identify compelling reasons to modify the proposals for New Zealand.

We seek feedback from auditors, directors, audit committees, regulators, investors, preparers and other users of audited financial statements. Your feedback will help us develop the XRB's response to the IAASB and help us determine if there are any further changes needed for New Zealand.

This consultation document should be read in conjunction with:

- the IAASB's explanatory memorandums and exposure drafts on:
  - Proposed ISA 330 (Revised)
  - Proposed ISA 500 (Revised)
  - Proposed ISA 520 (Revised)
  - Proposed conforming and consequential amendments

[1] ISA 330, The Auditor's Responses to Assessed Risks
[2] ISA 500, Audit Evidence
[3] ISA 520, Analytical Procedures

Part 2: How to provide feedback

Responding to our consultation questions

Please feel free to comment on any or all of the questions in the IAASB's explanatory memorandums on the proposed standards. In addition, we seek feedback on costs and benefits and whether there are any compelling reasons to amend the proposals in New Zealand.

We appreciate both formal and informal comments. To reach a balanced view we also appreciate both supportive and critical comments.

All comments received will be considered.

Verbal feedback

You can provide feedback during virtual and in-person feedback forums. Information about dates and times can be found on our events page. [add link]

For auditors interested in field testing the proposals please contact us at assurance@xrb,govt.nz

Written submissions

Submissions can be provided via any of the avenues below:

- Email us: assurance@xrb,govt.nz
- Complete the online form on our website
- Comment on our LinkedIn page

All submissions will be published on the XRB website unless confidentiality is requested[4].

The consultation closes on 11 November 2026

Events

Keep an eye on our website for details on events and information relating to this consultation.

Consultation questions

Part 3	
1.	**Do you agree with our assessment of identified benefits and costs?**
2.	**Are there any other benefits or costs that we should consider?**
3.	**Are there any further compelling reason changes the XRB should make in New Zealand?**

[4] Submissions are subject to the Official Information Act 1982 and the Privacy Act 2020. The XRB will handle information in accordance with these Acts. If you object to the release of any information in your submission, please identify the specific parts and the reasons under the Official Information Act 1982. We reserve the right not to publish defamatory submissions

Part 3: Overview of the proposals

Proposed amendments to ISA 330

The proposed amendments to ISA 330 aim to strengthen how auditors design and perform further audit procedures in response to assessed risks of material misstatement. The proposals clarify the intended purpose of different types of audit procedures, refine the role of substantive procedures and tests of controls, and add a stand-back evaluation of whether the evidence obtained from further audit procedures is sufficient and appropriate to respond to assessed risks.

One significant proposal is to remove the extant requirement to always perform substantive procedures for each material class of transactions, account balance and disclosure, irrespective of assessed risk of material misstatement. This reflects a desire of the IAASB to reinforce the more robust risk assessment process established under ISA 315 (Revised). The IAASB proposes to balance this change with strengthened standback and documentation expectations.

Proposed amendments to ISA 500

The proposed amendments to ISA 500 strengthen the auditor's responsibilities when evaluating information to be used as audit evidence. The auditor would evaluate relevance and reliability, rather than merely consider those matters. The proposals also introduce a clearer framework for reliability, including attributes such as accuracy, completeness, authenticity, absence of bias and credibility.

The proposals recognise that information becomes audit evidence only after audit procedures have been applied to it. They also recognise the increasing role of technology, including where technological tools are used to obtain, process or analyse information. The proposed application material is intended to remain capable of being applied as technology evolves.

Proposed amendments to ISA 520

The proposed amendments to ISA 520 define substantive analytical procedures and clarify how analytical procedures may be used as part of the cumulative body of audit evidence. The proposals would require auditors to develop an expectation that is precise enough to detect a misstatement and set a threshold for acceptable differences that does not exceed performance materiality.

Proposed conforming amendments

The proposed conforming amendments include technology-related changes to ISQM 1 [5] and ISA 220 (Revised).[6] Other changes move the overall conclusion on whether sufficient appropriate audit evidence has been obtained to ISA 700 (Revised) and amend ISA 200 to align concepts about accepting records and documents as genuine with revisions by ISA 240 (Revised) and proposed revisions to ISA 500.

Part 4: We propose to adopt the international amendments

We plan to adopt the proposals once finalised

The IAASB's exposure draft is your opportunity to comment on the proposed revisions to these ISAs. We seek your views on questions raised in the IAASB's explanatory memorandum.

The XRB's strategy is to adopt international standards where appropriate to support global consistency, credibility and confidence in New Zealand's financial reporting and assurance

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

[6] ISA 220, *Quality Management for An Audit of Financial Statements*

framework. International alignment promotes high-quality assurance and comparability of assurance outcomes.

This strategy is balanced with the XRB's responsibilities as a setter of secondary legislation to consider the potential benefits and potential costs of revising or issuing auditing standards.

In developing its standards, the IAASB considers the qualitative standard-setting characteristics set out in the Public Interest Framework.[7] The objective of the IAASB is to serve the public interest by setting high-quality auditing standards, thereby enhancing the quality and consistency of practice throughout the world and strengthening public confidence in the global auditing and assurance profession. The IAASB's Public Interest Framework identifies the qualitative characteristics of standards that are responsive to the public interest. The IAASB explains in the Explanatory memorandum how those characteristics have been considered and reflected in the proposals

In considering the proposed IAASB amendments, we have identified the following potential benefits and costs.

Potential benefits

Improved audit quality and consistency:

The proposals are intended to support more consistent, risk-based audit responses by clarifying the work effort required when responding to assessed risks of material misstatement. This should reduce variability in audit approaches and support more focused audit work.

Clearer judgements about audit evidence:

The proposed audit evidence framework would strengthen how auditors evaluate the relevance and reliability of information to be used as audit evidence. This should support judgements about whether information is sufficiently reliable for the intended audit purpose.

Better integration across core audit standards:

Revising ISA 330, ISA 500 and ISA 520 concurrently should improve the coherence of the standards. This is particularly important because audit responses, audit evidence and analytical procedures interact throughout the audit.

Support for technology-enabled audits:

The proposals are designed to remain capable of being applied using technological tools as technology evolves. This should support innovation while retaining principles-based requirements that focus on evidence quality and audit judgement.

International alignment:

Adopting New Zealand equivalents of the final IAASB standards would maintain alignment between New Zealand auditing standards and international auditing practice. This benefits firms operating internationally and supports users confidence in New Zealand audit quality.

[7] See the Public Interest Framework published by the Monitoring Group in July 2020 (as part of their report "Strengthening.the. International.Audit.and.Ethics.Standard_Setting.System"). The Public Interest Framework sets out a framework for the development of high-quality international standards by the IAASB that are responsive to the public interest. Among other matters, the Public Interest Framework explains for whom standards are developed, what interests need to be served and what characteristics standards should exhibit.

Potential costs

Methodology and template updates:

Audit firms will need to update methodologies, audit programmes, documentation templates, quality management resources and training materials to reflect the revisions.

Training and implementation costs:

Auditors will need to understand the revised concepts and apply them consistently, including changes relating to tests of controls, substantive procedures, reliability attributes and substantive analytical procedures.

Potential additional work effort in some audits:

The proposals may require additional work where auditors need to obtain evidence about the reliability of information, perform other procedures over information used as audit evidence, or document more explicit stand-back evaluations.

Judgement and documentation effort:

The proposals may increase the need to document professional judgements, particularly where auditors conclude that tests of controls alone provide sufficient appropriate audit evidence or where substantive procedures are not performed for material items because no risks of material misstatement are identified.

Proportionality challenges for smaller practices:

Smaller practices may face proportionately higher implementation costs because they have fewer specialist methodology, technology and training resources. The proposals may also require additional support to apply the requirements efficiently in a proportionate manner.

Do you agree with our assessment of identified benefits and costs?

Are there any other benefits or costs that we should consider?

We propose to adopt the international proposals, with limited New Zealand-specific modifications

The XRB modifies standards it intends to adopt only when the compelling reason test is triggered. This occurs when the international standard does not reflect, or is not consistent with New Zealand legal and regulatory arrangements or principles and practices that are appropriate having regard to the New Zealand public interest.

We propose to amend references to written representations to refer to those charged with governance (not management) given that those charged with governance are responsible for the financial statements. These amendments exist in the extant New Zealand standards and are needed to ensure consistency between the ISAs (NZ).

Minimal changes will be made to reflect references, language and grammatical conventions used in New Zealand.

Are there any further compelling reason changes the XRB should make in New Zealand?

Part 5: Glossary

IAASB	International Auditing and Assurance Standards Board
Proposed ISA 330 (Revised)	Proposed International Standard on Auditing 330 (Revised), The Auditor's Responses to Assessed Risks
Proposed ISA 500 (Revised)	Proposed International Standard on Auditing 500 (Revised), Audit Evidence
Proposed ISA 520 (Revised)	Proposed International Standard on Auditing 520 (Revised), Analytical Procedures
XRB	External Reporting Board

View standards in the XRB Standards Navigator

Standards are available on the XRB Standards Navigator
https://standards.xrb.govt.nz/standards-navigator/

Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

IAASB Audit evidence and risk response project

Overview of key amendments

- ISA 330
- ISA 500
- ISA 520

IAASB’s key outcomes from proposed amendments

Source: IAASB June 2026 Board papers (Agenda item 2)

ISA 330 Amendments

Enhanced focus on professional scepticism in responding to RoMM

Responses to assessed risks to be unbiased

Responses must not be biased towards obtaining corroborating evidence or excluding contradictory evidence — reinforcing professional scepticism

New stand-back evaluation

A new stand back to evaluate whether the evidence obtained from further audit procedures is sufficient and appropriate to respond to assessed risks

Moved stand-back evaluation (to ISA 700)

Whether sufficient appropriate audit evidence has been obtained from all audit evidence obtained

ISA 330 Amendments

Clarifying principles underpinning effective substantive procedures

New and revised definitions

Refined substantive procedures definition with emphasis on the ‘purpose’ being to detect material misstatements at the assertion level

Separately defined tests of details as a substantive procedure to obtain evidence about each item selected for testing

Removed paragraph 18 from extant ISA 330

Substantive procedures are not required for every material class of transactions, account balance, or disclosure

And strengthened ISA 315

Emphasise importance of risk assessment process and stand-back provisions

New documentation requirements of considerations

ISA 330 Amendments

Clarifying and strengthening work on internal controls

Revised definitions

Refined tests of controls definition with emphasis on the 'purpose' being to obtain audit evidence about the operating effectiveness of controls

Clarified in the application material that tests of controls may be performed to evaluate the reliability of audit evidence

Tests of controls alone can be an appropriate response to ROMM (narrow circumstances)

Risk based threshold, permitted only where:

- inherent risk is not at the higher end of the spectrum
- is not a significant risk, and
- the controls reduce risk to an acceptably low level

Other related amendments

- When tests of controls are required
- Clarify when using audit evidence from a previous period
- Clarify it may be possible for an indirect control to not operate effectively, without affecting conclusions about operating effectiveness of direct controls

ISA 500 Amendments

Comprehensive framework for making judgements about audit evidence

Strengthened requirement on relevance and reliability of information to be used as audit evidence

Evaluate – not just consider

Based on the source, and the attributes of reliability (one or more)

Retained requirement on reliability of entity information

Retained requirement to consider the accuracy and completeness attributes when evaluating information produced by the entity

Clarified in application material as information:

- generated internally, or
- obtained externally and processed/incorporated into the entity's information system

New requirement on obtaining evidence about reliability

Test the operating effectiveness of controls that address the reliability of information, or
Perform other audit procedures

ISA 500 Amendments

Enhanced focus on professional scepticism

Application material on reliability

Table of attributes: Accuracy, Completeness, Authenticity, Absence of bias, Credibility

Not a checklist

Apply judgement – which attributes are "of significance in the circumstances" to meet the "intended purpose of the audit procedure"

Clarify and align terminology in ISA 200 with ISA 500 and ISA 240

Removed "accepting records and documents as genuine" from ISA 200.A24 and aligned terminology with ISA 500 and ISA 240

A24. ~~The auditor may accept records and documents as genuine unless the auditor has reason to believe the contrary. Nevertheless, the auditor is required~~ Proposed ISA 500 (Revised) requires the auditor to ~~consider~~ evaluate the reliability of information intended to be used as audit evidence,~~.~~[4] which includes procedures to address the authenticity of such information when the auditor considers that the attribute of authenticity is of significance in the circumstances to meet the intended purpose(s) of the audit procedures. Other than performing audit procedures in relation to authenticity when it is of significance in the circumstances[5] and remaining alert throughout the audit for conditions or indications to the contrary,[6] the auditor may consider information, including records or documents, to be authentic. However, ~~I~~in cases of doubt about the reliability of the information or ~~indications of possible fraud (for example,~~ if conditions identified during the audit cause the auditor to believe that a record or document may not be authentic or that terms in a document may have been ~~falsified),~~ modified but not disclosed to the auditor,[7] the ISAs require that the auditor investigate further and determine what modifications or additions to audit procedures are necessary to resolve the matter.[8]

ISA 500 clarifies that it is not necessary to consider the authenticity of every individual record or document

ISA 520 Amendments

Clarifying principles underpinning effective substantive procedures

New definition – substantive analytical procedure (SAP)

Defined separately from analytical procedures

Linked to the purpose of a substantive procedure which is to detect a material misstatement at the assertion level

Clarified how ‘analytical procedures’ can be used as a substantive procedure

Explicitly recognise that analytical procedures (that don’t meet SAP definition) can be used in combination with tests of controls or tests of details (i.e., they contribute to the cumulative body of audit evidence)

New requirement - consider results from risk-assessment analytical procedures

A new requirement to consider how inconsistent results from risk-assessment analytical procedures affect the identification and assessment of risks of material misstatement

ISA 520 Amendments

Supporting robust substantive analytical procedures

Develop a precise expectation

Develop an expectation precise enough to detect a misstatement, premised on reliable information used and the plausibility and predictability of the relationship

Set a threshold within materiality

Set a threshold, not exceeding performance materiality, for the differences that are acceptable without further investigation

Strengthened requirements to investigate differences

Investigate differences that exceed the threshold to determine whether a misstatement exists

ISA 450 then assesses whether misstatements are material

Technology related amendments (overall)

Clarifying how principles-based requirements apply when using technological tools

Requirements across the three standards remain principle-based, flexible and current in view of rapid technological evolution

A new appendix provides guidance on applying ISA 500 requirements, including considerations for using technological tools when designing and performing procedures to obtain audit evidence

Term ‘technological tools’ replaces ‘automated tools and techniques’:

- aligns with the concept of technological resources used in quality management standards
- improves consistency across the standards

Substantive procedures definition now include (rather than comprise) tests of details and substantive analytical procedures — subtle future-proofing to leave room for new techniques and tools

Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

NZAuASB Board meeting summary paper

Meeting date:	5 August 2026
Subject:	**Review of interim financial information**
Date:	20 July 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 for the NZAuASB to consider and approve the draft submission to the International Auditing and Assurance Standards Board (**IAASB**) on Exposure Draft (**ED**) Proposed International Standard on Review Engagements (**ISRE**) 2410 (Revised), Review.of.Interim.Financial.Information.Performed.by.the.Independent.Auditor.of.the.Entity"s. Annual.Financial.Statements.

Background

2. Interim financial reporting provides regular, timely updates about an entity's financial position and performance between annual reporting dates. Management is responsible for preparing interim financial information. A review by the entity's auditor provides limited independent assurance, which enhances the confidence of intended users in that information.
3. The IAASB's revision of ISRE 2410 seeks to establish a global baseline for the consistent performance and reporting on interim review engagements.
4. The proposed revisions aim to clarify the nature and purpose of an interim review engagement, enhance the robustness and consistency of review procedures, and respond to developments in reporting and stakeholder expectations since the existing standard was issued.
5. The revisions reflect public interest considerations about continuous improvements to audit quality and confidence in financial reporting. They modernise ISRE 2410 so it better aligns with current standards for limited assurance engagements, and recent developments in areas such as fraud and going concern.
6. The IAASB issued the explanatory memorandum and ED-2410 on 6 May 2026. The NZ consultation document was issued on 21 May 2026 with comments were requested by 15 July 2026. Submissions to the IAASB are requested by 3 September 2026.
7. The June 2026 Board papers provided an overview of key proposals in the IAASB's ED-2410 and highlighted matters that may be relevant to adoption in New Zealand. Due to time constraints, the Board was unable to discuss the project in detail at that meeting.

8. To facilitate consideration of the draft submission at this meeting, the summary of feedback from outreach (agenda item 10.3, supplementary pack) provides a concise summary of the key proposals in ED-2410 together with the feedback received through our outreach activities. It also explains how staff evaluated that feedback and how it informed the key positions and recommendations reflected in the draft submission. This information is intended to refresh Board members' understanding of the project and provide context for the matters raised in the draft submission (agenda item 10.2).

Outreach activities

9. Outreach activities on ED-2410 included the following:
    - One on one interview with user stakeholder (17 June)
    - One on one interview with director stakeholder (17 June)
    - Practitioner forum (24 June)
    - Public roundtable (1 July)
10. Staff also observed the AUASB roundtable held on 9 July.
11. CA ANZ staff provided preliminary staff views on the proposals in ED-2410 (refer agenda item 12.1. No formal written submissions were received.

Matters to consider

Summary of feedback

12. A summary of the feedback received from outreach activities is included in agenda item 10.3 (supplementary pack).
13. Stakeholders were broadly supportive of ED-2410 and considered the proposals proportionate to the nature of an interim review engagement. Participants generally agreed that the proposals improve clarity, promote consistency in practice, and better reflect stakeholder expectations regarding fraud, going concern, and auditor reporting.

Key themes:

14. **Support for a principles-based approach –** A recurring theme was support for the principles-based nature of the proposed requirements. Stakeholders considered that the proposals appropriately preserve auditor judgement while supporting consistent performance of interim review engagements. This theme was evident across materiality, obtaining an understanding, group engagements, and going concern.
15. **Materiality –** Stakeholders generally supported the requirement to determine materiality, with practitioner stakeholders indicating that this is done in practice for purposes of evaluating misstatements. Practitioner stakeholders noted that materiality judgements are often more difficult in an interim review because the engagement is typically based primarily based on enquiry and analytical review procedures. Stakeholders supported retaining principles-based guidance and cautioned against introducing more prescriptive materiality guidance.
16. **First-time engagements –** Stakeholders supported the single requirement for obtaining an understanding of the entity that applies to both recurring and first-time engagements. However, discussions highlighted that newly appointed auditors may need to undertake significantly more work when an interim review engagement precedes the annual audit.

17. **Going concern –** Stakeholders broadly supported the strengthened work effort and reporting requirements relating to going concern. Academic stakeholders highlighted that research indicates that interim reporting can provide important early warning signals regarding financial distress. Some stakeholders questioned the usefulness of reporting in circumstances where no going concern issues have been identified. However, on balance, there was support for increased transparency about going concern related matters in interim review reports.

18. **Fraud and NOCLAR –** Stakeholders supported the proposed work effort relating to fraud and non-compliance with laws and regulations (NOCLAR).

19. **User Understanding of Review Engagements –** Stakeholders identified a broader issue regarding user understanding of review engagements. Stakeholders expressed the view that users often do not distinguish between reasonable assurance and limited assurance engagements and may not clearly understand the distinction between an audit report and a review report. Stakeholders considered that this issue extends beyond ED-2410 and relates to the assurance framework more broadly.

Key messages in the draft submission

20. The draft submission is presented in agenda item 10.2.

21. The draft submission was informed by the feedback received from outreach activities, through discussion with the audit technical reference group as ED-2410 developed, and from matters raised by board members through discussion following the June 2026 NZAuASB meeting.

22. The draft submission expresses broad support for ED-2410 and its objective of establishing a global baseline for interim review engagements. The submission identifies several areas where clarification or further consideration may improve consistency in practice.

23. **Assurance framework –** Responding to concerns that the distinction between an audit and a review may not be well understood by users of the interim review report, the submission recommends that the IAASB undertake broader work on the assurance framework to improve users' understanding of the distinction between reasonable assurance and limited assurance engagements.

24. **First-time engagements –** The interim review engagement is premised on the basis that the auditor has an "audit level of knowledge" of the entity. Recognising this, and the need for the auditor to do more when the first engagement is an interim review, the submission recommends that the IAASB clarify the expectations for newly appointed auditors and consider whether a proportionate risk assessment should be explicitly required when an interim review engagement is the auditor's first engagement with an entity.

25. **NOCLAR –** The submission recommends that the IAASB and IESBA continue to work together on practical application issues relating to NOCLAR. We reiterate our observations to the IESBA in the recent PIR of the NOCLAR provisions, noting that applying NOCLAR requirements in practice can be challenging, particularly when determining when obligations are triggered, how extensively matters need to be investigated, and when escalation is required.

26. **Application of the IESBA Code to interim review engagements –** The consultation asks for views on application of the IESBA Code in two specific areas. The submission highlights a potential interaction with the IESBA Code, noting that the application of the Code's group audit ethical requirements to group interim review engagements may benefit from clarification. It also highlights potential uncertainty regarding the application of the IESBA Code when NOCLAR is identified during an interim review engagement.

Recommendation

27. Staff recommend that the NZAuASB approve the draft submission to the IAASB, subject to any amendments agreed during the meeting, for submission by the due date.

Material presented

- Board meeting summary paper
- Draft submission
- Summary of feedback received (supplementary pack)

ED-2410 RESPONSE FORM

May 2026

EXPOSURE DRAFT OF PROPOSED ISRE 2410 (REVISED), *REVIEW OF INTERIM FINANCIAL INFORMATION PERFORMED BY THE INDEPENDENT AUDITOR OF THE ENTITY'S ANNUAL FINANCIAL STATEMENTS*

Response Form

Guide for Respondents

Comments are requested by **September 3, 2026**. *Note that requests for extensions of time cannot be accommodated due to the timeline for finalization of this proposed revised standard.*

This form is for providing comments on the Exposure Draft of proposed International Standard on Review Engagements™ (ISRE) 2410*, Review of Interim Financial Information Performed by the Independent Auditor of the Entity's Annual Financial Statements* (ED-2410), in response to the questions set out in the Explanatory Memorandum (EM) to ED-2410. It also allows for respondent details, demographics and other comments to be provided. Use of this form will facilitate the IAASB's analysis of the responses.

You may respond to all questions or only those questions for which you have specific comments.

To assist our consideration and analysis of your comments, please:

- For each question, start by indicating your overall response using the drop-down menu under each question. Include any detailed comments below that, as indicated.
- When providing comments, respond directly to the questions and:
  - Provide the rationale for your answers. If you disagree with the proposals in ED-2410, please provide specific reasons for your disagreement and include specific suggestions for changes (including specific wording) that may be needed to the requirements, application material or appendices. If you agree with the proposals, it will be helpful for the IAASB to be made aware of this view as support for the IAASB's proposals cannot always be inferred when not stated.
  - Be specific about the sections, headings or paragraphs in ED-2410 to which your responses relate.
  - Refrain from inserting tables or text boxes in your responses.

It is not necessary to include a cover letter containing a summary of your key issues. The response form provides the opportunity to include any other views you wish to place on the public record, should you choose to do so. All responses will be considered a matter of public record and will ultimately be posted on the IAASB website.

Use the "**Submit Comment**" button on the web page for proposed ISRE 2410 (Revised) to upload the completed form.

Responses to IAASB's Request for Comments in the EM for ED-2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity's Annual Financial Statements

PART A: Respondent Details and Demographic information

Your organization's name (or your name if you are making a submission in your personal capacity)	External Reporting Board (XRB)
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	New Zealand Auditing and Assurance Standards Board (NZAuASB)
Name(s) of contact(s) for this submission (or leave blank if the same as above)	Sharon Walker
E-mail address(es) of contact(s)	sharon.walker@xrb.govt.nz
Geographical profile that best represents your situation (i.e., the geographical perspective from which are you providing feedback on ED-2410). Select the most appropriate option.	Asia Pacific
	If "Other", please clarify
The stakeholder group to which you belong (i.e., the perspective from which are you providing feedback on ED-2410). Select the most appropriate option.	Jurisdictional or other standard setter
	If "Other", please specify
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	The External Reporting Board (XRB) is a Crown Entity responsible for issuing accounting, climate and audit and assurance standards in New Zealand. We enable high quality, trusted, and integrated reporting through frameworks and standards that are internationally credible and locally relevant. We are focused on reporting and assurance in New Zealand that promotes trust, confidence, transparency and accountability. The XRB delegates responsibility for issuing auditing and assurance standards to the NZAuASB.

Should you choose to do so, you may provide overall views or additional background to your submission. **Please note that this is optional**. The IAASB's preference is that you incorporate all your views in your comments to the questions (also, Question 16 in Part B allows for raising any other matters in relation to ED-2410).

Information, if any, not already included in responding to the questions in Part B:

Click or tap here to enter text.

PART B: Responses to Questions in the EM for ED-2410

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

Overall Impact

1.	Do you agree that ED-2410 is **responsive to the public interest**, considering the qualitative standard-setting characteristics and the standard-setting actions in the project proposal? (*See Section I-A and the Appendix in the EM)*

Overall response: **Agree, with comments below**

Detailed comments (if any):

Stakeholders noted the broader public-interest benefits associated with improved consistency and transparency in interim review engagements, particularly regarding going concern reporting and user understanding. Click or tap here to enter text.

2.	Do you agree that ED-2410 strikes **an appropriate balance** between the work effort required to express a limited assurance conclusion on the interim review engagement, and more robust requirements in the public interest in certain areas (e.g., going concern, fraud and non-compliance with laws and regulations)? You are invited to include as part of your response insights on **the implications or effects** of implementing the proposed standard.

Overall response: **Agree, with comments below**

Detailed comments (if any):

Stakeholder feedback indicated that the proposals are generally consistent with current practice and are not expected to result in significant changes to procedures.

Professional Skepticism and Professional Judgment

3.	Does ED-2410 appropriately address the foundational concepts of professional skepticism and professional judgment, and the importance of applying these concepts throughout the interim review engagement? If not, what more might be needed in this regard? *(See Section I-B, paragraph 22(a) in the EM)*

Overall response: **Yes (with no further comments)**

Detailed comments (if any):

Click or tap here to enter text.

Fundamental Principles of an Interim Review Engagement

> 4. Does the Introduction section of ED-2410 provide a clear description of the nature and purpose of an interim review engagement, and how it differs from an audit of financial statements, to provide foundational context for the work effort needed to achieve the objective of the engagement?
>
> *(See Section I-B in the EM)*

Overall response: **<u>Yes, with comments below</u>**

Detailed comments (if any):

We agree that ED-2410 clearly explains the nature and purpose of an interim review engagement and how it differs from an audit of financial statements. Auditors, who are the primary users of the standard, generally understand these distinctions.

> 5. Is ED-2410 sufficiently clear that while the auditor performs primarily inquiries and analytical procedures, *all procedures* performed for the purpose of achieving the overall objective of the interim review engagement are "review procedures"? If not, what suggestions do you have to make this clearer?
>
> *(See Section I-F, paras. 44-47 in the EM)*

Overall response: **<u>Yes (with no further comments)</u>**

Detailed comments (if any):

Click or tap here to enter text.

Approaching an Interim Review Engagement in Accordance with ED-2410

> 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? If not, what suggestions do you have to make this clearer?
>
> *(See Section I-B and Section I-F, paragraphs 44-52 in the EM)*

Overall response: **<u>Yes (with no further comments)</u>**

Detailed comments (if any):

Click or tap here to enter text.

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? If not, what suggestions do you have for additional considerations related to first-time interim review engagements? *(See Section I-F, paras. 48-52 in the EM)*

Overall response: **Agree, with comments below**

Detailed comments (if any):

We agree with the proposed single, principled requirement to obtain an understanding of the entity, its environment, the applicable financial reporting framework, and the entity's system of internal control, as it relates to the preparation of both annual and interim financial information that applies to both recurring engagements and first-time engagements.

The premise of ED-2410 is that the auditor has an audit-level of understanding about the entity and uses this understanding as the basis for identifying areas in the interim financial information where material misstatements are likely to arise. In a recurring engagement, the auditor leverages knowledge obtained during the audit, including the understanding developed through the risk assessment process, to identify areas where material misstatements in the interim financial information are likely to arise. This provides an appropriate foundation for planning and performing the review engagement.

When the auditor is newly appointed and the interim review engagement is the first engagement performed for the entity, the auditor will not yet possess the same depth of understanding of the entity, its environment, and its system of internal control as an auditor who has previously performed the annual audit. Although ED-2410 does not require the auditor to identify and assess risks of material misstatement for the purposes of the interim review engagement, the proposed approach relies on the auditor having sufficient knowledge of the entity to identify areas in the interim financial information where material misstatements are likely to arise.

Our outreach indicated that, in practice, newly appointed auditors often perform audit procedures at the interim date to obtain the understanding that would ordinarily be developed through the audit risk assessment process. This understanding then forms the basis for planning and performing the interim review engagement. We are concerned that the current application material does not clearly indicate the extent of work expected in these circumstances, which may lead to inconsistent interpretations and practices.

We recommend the following refinement to the final sentence of paragraph A77. New text is underlined, deleted text is struck-through.

A77. If the interim review is the first engagement performed after being engaged to audit the entity's annual financial statements, the auditor is still required to obtain the understanding required by paragraph 43 as it relates to the preparation of both annual and interim financial information. The nature and extent of the procedures needed to do so are a matter of professional judgment. Procedures such as those described in paragraph A74 are also relevant in these circumstances. The auditor <u>will often</u> ~~may decide to~~ perform the procedures needed to obtain the understanding of the entity and its environment and the entity's system of internal control required for purposes of the audit of the financial statements <u>prior to or concurrent with the interim review engagement</u>.

Materiality

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? *(See Section I-F, paragraphs 41-43 in the EM)*

Overall response: **Agree, with comments below**

Detailed comments (if any):

We support the introduction of a requirement for the auditor to determine materiality for the interim review engagement. Our outreach indicated that this requirement is consistent with current practice.

Our outreach also indicated that applying materiality in an interim review is challenging in practice with practitioners noting that materiality judgements are more difficult in interim reviews because the engagement typically is limited to enquiry and analytical review procedures. However, notwithstanding the challenges identified, our stakeholders supported principles-based application material, retaining flexibility and avoiding prescriptive requirements or application material. We therefore support retaining the current principles-based approach and caution against introducing more prescriptive guidance.

Group Interim Review Engagements

9.	Overall, do you agree that ED-2410 is capable of being applied for the review of interim financial information of groups? If not, please explain your reasons, and provide suggestions for additional requirements or application material that might be needed. *(See Section I-F, paragraphs 37-40 in the EM)*

Overall response: **Agree, with comments below**

Detailed comments (if any):

We agree that ED-2410 is capable of being applied for the review of interim financial information of groups. We are supportive of the light-touch inclusion of requirements for group interim engagements, supporting auditor judgement in determining whether and how to involve component auditors.

10.	Are the requirements in ED-2410 that address specific considerations related to group interim review engagements appropriate? If not, please explain your reasons, and provide suggestions for additional requirements or application material that might be needed. *(See Section I-F, paragraphs 37-40 in the EM)*

Overall response: **Yes (with no further comments)**

Detailed comments (if any):

Click or tap here to enter text.

Fraud and Non-Compliance with Laws and Regulations (NOCLAR)

11. Do you agree that the work effort requirements related to fraud and NOCLAR are appropriate and proportionate 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 and NOCLAR in the context of that engagement? If not, please explain your reasons, and provide suggestions for the auditor's approach to fraud and NOCLAR in an interim review engagement. *(See Section I-F, paras. 54-56 in the EM)*

Overall response: **Agree, with comments below**

Detailed comments (if any):

We agree that the proposed work effort relating to fraud and non-compliance with laws and regulations (NOCLAR) is appropriate and proportionate to the nature of an interim review engagement. In particular, we support the requirement for the auditor to perform additional procedures when matters relating to fraud, suspected fraud, or NOCLAR come to the auditor's attention during the engagement. These requirements appropriately recognise that circumstances may arise that warrant a response beyond enquiry and analytical procedures.

However, as noted in our response to IESBA's post-implementation review on NOCLAR, auditors face practical challenges in applying the NOCLAR requirements. While the overall principles are generally understood, practitioners often find it challenging to determine when the NOCLAR provisions are triggered, how extensively a matter should be investigated, and when communication or escalation is required. These challenges are particularly evident when matters are not clearly inconsequential but may not clearly meet the threshold of substantial harm, or when the relevant laws and regulations fall outside the auditor's area of expertise.

Accordingly, we recommend that the IAASB and IESBA continue to work together to improve the clarity and practical operability of the NOCLAR framework, including through implementation support materials, examples, and guidance that illustrate how the requirements are intended to be applied in limited assurance engagements.

Going Concern

Questions 12 and 13 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.

12.	Do you agree that the work effort requirements related to going concern are appropriate and proportionate 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? If not, 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. *(See Section I-F, paras. 57-61 in the EM)*

Overall response: **Agree, with comments below**

Detailed comments (if any):

We support the proposed work effort relating to going concern and consider the requirements to be appropriate and proportionate to the nature of an interim review engagement.

We agree that the auditor's work effort should remain primarily based on enquiry and analytical procedures, with additional procedures performed when events or conditions are identified that may cast significant doubt on the entity's ability to continue as a going concern. In our view, the proposals appropriately balance the objective of a limited assurance engagement with stakeholders' expectations that the auditor responds when potential going concern concerns are identified.

We particularly support the requirement to enquire whether management has performed a going concern assessment at the interim reporting date. This reinforces that assessing the entity's ability to continue as a going concern is management's responsibility and encourages timely consideration of emerging risks by management and those charged with governance. We encourage the IAASB to work with the IASB and other accounting standard setters to clarify the responsibilities of management at the interim date.

13.	Do you agree with the proposals to introduce a new separate section relating to going concern in the auditor's interim review report? If not, please explain your reasons and provide suggestions for how ED-2410 should address transparency about going concern in the interim review report. *(See Section I-H, paragraphs 74-79 in the EM)*

Overall response: **Agree, with comments below**

Detailed comments (if any):

We support the introduction of explicit going concern reporting requirements and the inclusion of a dedicated going concern section in the auditor's interim review report.

In our view, the proposed reporting model will improve transparency by providing users with clearer information about management's use of the going concern basis of accounting and the auditor's conclusions in relation to going concern.

Our outreach indicated that stakeholders generally support enhanced transparency in this area, particularly where the auditor has previously reported a material uncertainty related to going concern or where events and conditions have changed since the previous reporting period. Stakeholders considered that consistent reporting across reporting periods assists users in understanding how the entity's circumstances have evolved.

This feedback is supported by academic research[1] which suggests that interim reporting can provide important early warning signals about financial distress and that users place significant value on timely information about matters that may affect an entity's future viability. The research highlights the value users place on timely communication of matters that may affect an entity's future viability, reinforcing the public interest benefits of transparent going concern reporting.

While some stakeholders questioned the value of reporting on going concern when no events or conditions have been identified, we consider that the benefits of consistency and transparency outweigh these concerns. The proposed reporting requirements provide users with relevant information and reinforce the importance of management's ongoing assessment of the entity's ability to continue as a going concern.

We offer the following suggested refinement to the going concern statements. We recommend combining the two sentences in the first paragraph, as required by paragraph 108, to avoid unnecessary duplication. New text is underlined, deleted text is struck-through.

In the context of our review of the consolidated interim financial information, and in forming our conclusion thereon, nothing has come to our attention that causes us to believe that management's use of the going concern basis of accounting in the preparation of the consolidated interim financial information is inappropriate, nor ~~. Based on the evidence obtained, nothing has come to our attention~~ to indicate that a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

In particular:

(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? If not, please explain your reasons and provide suggestions for how such statements should be worded in the interim review report.

Overall response: **Agree (with no further comments)**

Detailed comments (if any):

Click or tap here to enter text.

(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? If not, please explain your reasons and provide suggestions for any other scenarios that should be addressed in ED-2410.

[1] Matthew Grosse, Tom Scott: Disclosure of Interim Review Reports: Do Interim Going Concern Conclusions Have Information Content? *Auditing: A Journal of Practice & Theory* 1 August 2022; 41(3): 121-147. https://doi.org/10.2308/AJPT-19-041

Overall response: **Agree (with no further comments)**

Detailed comments (if any):

Click or tap here to enter text.

(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 a going concern matter, other than a material uncertainty (for example, a "close call") only when the matter is, in the auditor's professional judgment, of such importance that it is fundamental to users' understanding of the interim financial information, and to do so in a manner akin to an emphasis of matter paragraph? If not, please explain your reasons and provide suggestions for how such matters should be addressed in ED-2410.

Overall response: **Agree (with no further comments)**

Detailed comments (if any):

Click or tap here to enter text.

The Auditor's Interim Review Report

General

14. Do you agree with the proposed new structure of the auditor's interim review report? In particular, consider whether the new structure may be clearer for intended users of the report since it is consistent with the structure of the auditor's report on the financial statements. If not, please explain your reasons, including any suggestions for how the interim review report can be made clearer for intended users.

(See Section I-H, paragraphs 65-68 in the EM)

Overall response: **Agree, with comments below**

Detailed comments (if any):

We support the new structure of the interim review report. This structure was introduced in New Zealand interim review reports when our domestic interim review engagement standard was revised in 2020.

The Auditor's Interim Review Conclusion

15. Do you foresee any practical consequences from the approach in ED-2410 that the auditor's interim review conclusion would differ, depending on whether the applicable financial reporting framework is a fair presentation framework or a compliance framework, as defined in paragraph 13(b) of ED-2410? Please be as specific as possible in describing any potential issues and suggestions for how the IAASB may address them.

(See Section I-H, paragraphs 69-73 in the EM)

Overall response: **No, with comments below**

Detailed comments (if any):

We have not identified any practical consequences as a result of aligning the auditor's conclusion on interim financial information with the applicable financial reporting framework. We consider this is an appropriate, principles-based approach. This is the current approach in New Zealand.

Other Matters

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.

Overall response: **Yes, as further explained below**

Detailed comments (if any):

Our outreach suggests that users of interim review reports often do not distinguish between an audit report and a review report. Rather, both are commonly viewed as reports issued by the entity's independent auditor, with little appreciation of the different levels of assurance they provide.

We do not believe this issue can be fully addressed through requirements in ED-2410. The ability of the standard to further differentiate an interim review from an audit is constrained by the broader assurance framework and by the manner in which users perceive assurance engagements. In our view, improving understanding of the distinction between reasonable assurance and limited assurance is primarily an education and communication challenge rather than a standard-setting issue.

Accordingly, we recommend that, when issuing the revised ISRE 2410, the IAASB develop supporting educational material that clearly explains the differences between audit and review engagements, including the nature of the procedures performed and the level of assurance obtained. Such material could help enhance users' understanding of interim review reports and reinforce the distinction between reasonable assurance and limited assurance engagements.

Translations

17.	Recognizing that many respondents may intend to translate the final standard for adoption in their own environments, have you identified any potential translation challenges or issues? If so, please describe the issue identified and clearly indicate the specific paragraph numbers of any requirements, application material, or specific illustrations or appendices to which your comments relate.

Overall response: **No response**

Detailed comments (if any):

Click or tap here to enter text.

Effective Date

18.	The IAASB believes that an appropriate implementation period would be approximately 18 months after the expected date of approval of the proposed revised standard. Do you agree that this will provide a sufficient period to support effective implementation of the proposed standard? If not, what do you propose and why? *(See Section I-I, paragraphs 85-86 in the EM)*

Overall response: **Agree (with no further comments)**

Detailed comments (if any):

Click or tap here to enter text.

Questions to Inform the International Ethics Standards Board for Accountants (IESBA)

The IESBA is seeking views from respondents related to the application of the IESBA Code. Respondents for whom these questions are relevant are encouraged answer these questions to inform the IESBA's consideration of the need for any future actions.

(See the Introduction, paragraphs 12-14, and Section I-C in the EM)

Group Interim Review Engagements

E.1. Recognizing that ED-2410 requires the auditor to comply with relevant ethical requirements, including those related to independence, when performing an interim review engagement:

(a) Given the context set out in Section I-C, paragraph 28, in the EM and taking into account that Part 4A of the Code applies to both audit and review engagements unless otherwise stated, do you believe there is a need to clarify the application of Section 405 with respect to group review engagements, including group interim reviews? If so, please explain why. Also explain what clarifications would be useful and whether they should be made inside or outside the Code.

Overall response: **Yes, with comments below**

Detailed comments (if any):

We recommend that IESBA clarify the application of Section 405, Group Audits. This section of the IESBA Code explicitly references ISA 600, *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors).* By contrast, the IESBA code defines a review engagement as "an assurance engagement conducted in accordance with *International Standards on Review Engagements* or equivalent, in which a professional accountant in public practice expresses a conclusion on whether, on the basis of the procedures performed (which do not provide all the evidence that would be required in an audit), anything has come to the accountant's attention that causes the accountant to believe that the financial statements are not prepared, in all material respects, in accordance with an applicable financial reporting framework."

This explicit reference to ISA 600 raises a question about the scope of Section 405. Because ISA 600 applies to group audits and does not apply to interim review engagements, Section 405 could be interpreted as not extending to group interim reviews. If so, different independence and ethical requirements may apply depending on whether the practitioner is performing a group audit or a group interim review engagement.

In practice, we understand that firms generally apply the Code's group audit ethical requirements regardless of whether they are performing the annual group audit or the interim group review. Nevertheless, the current drafting may create uncertainty about whether the requirements in Section 405 are intended to apply to group interim review engagements and whether consistent ethical requirements should apply across both types of group engagements.

Non-compliance or Suspected Non-compliance with Laws and Regulations

E.1.	Recognizing that ED-2410 requires the auditor to comply with relevant ethical requirements, including those related to independence, when performing an interim review engagement: (b) Do you believe the application of the Code as described in Section I-C, paragraph 29, in the EM is clear when information concerning non-compliance or suspected non-compliance with laws and regulations comes to the auditor's attention when performing an interim review engagement? If not, please explain why. Also explain what clarifications would be useful and whether they should be made inside or outside the Code.

Overall response: **No, with comments below**

Detailed comments (if any):

We believe there is potential for confusion regarding the application of the NOCLAR provisions when the auditor is performing an interim review engagement. The IESBA Code establishes different NOCLAR requirements depending on the type of professional service being performed. In contrast, when adopting the NOCLAR provisions in New Zealand, the XRB amended the requirements to require the same response to NOCLAR for both audits and reviews of financial statements. This reflects the view that the auditor's response should not differ solely because the matter is identified during a review rather than an audit.

Under the IESBA Code, when an act of non-compliance is identified during an interim review engagement, the applicable NOCLAR provisions appear to be those relating to "*Professional Services Other than Audits of Financial Statements*". In contrast, if the same matter is identified while performing an audit of the financial statements, the provisions relating to "*Audits of Financial Statements*" would apply.

This distinction may be difficult to understand and apply in practice, particularly where the auditor performs both the interim review and the annual audit for the same entity. In our view, the expected response to NOCLAR should be consistent regardless of whether the matter is identified during an audit or a review engagement. We recommend the IESBA consider whether the drafting could be clarified to ensure that the intended treatment of NOCLAR in interim review engagements is clear and that unnecessary differences in outcomes are avoided.

This document was prepared by the Staff of the International Auditing and Assurance Standards Board (IAASB).

The objective of the IAASB is to serve the public interest by setting high-quality auditing, assurance, and other related services standards and by facilitating the convergence of international and national auditing and assurance standards, thereby enhancing the quality and consistency of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

The IAASB develops auditing and assurance standards and guidance under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAASB, and the IAASB Stakeholder Advisory Council, which provides public interest input into the development of the standards and guidance.

Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

NZAuASB Board meeting summary paper

Meeting date:	5 August 2026
Subject:	**Sustainability assurance implementation support**
Date:	22 July 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:

   - APPROVE the revised illustrative greenhouse gas (GHG) report using ISSA (NZ) 5000, General.Requirements.for.Sustainability.Assurance.Engagements.(ISSA (NZ) 5000)?and
   - NOTE the sustainability assurance implementation support plan update.

Background

2. In June 2026 the Board discussed:

   (a) the draft illustrative greenhouse gas (GHG) assurance reports using ISSA (NZ) 5000, and

   (b) the sustainability assurance implementation support plan.

3. The draft illustrative report was tailored to the mandatory assurance engagement over GHG disclosures in the climate statements, as required by the Financial Markets Conduct Act 2013. This report is for an unmodified limited assurance conclusion.

4. Following feedback in the June meeting, staff have updated the assurance report and have progressed the sustainability assurance implementation plan.

Matters to consider

Illustrative assurance report

5. The draft limited assurance report has been updated as follows:

   (a) The addressee has been removed. The revised wording, "appropriate addressee", is consistent with our illustrative assurance reports prepared under NZ SAE 1. We note this approach will differ from the Australian illustration. The Australian legislation explicitly requires the report to be addressed to shareholders.

   (b) The limited assurance conclusions paragraphs have been updated to clarify what is within the scope of the assurance engagement and what is other information. This includes adding a table showing where the disclosures are located and amending the final paragraph to refer to the other information that is not covered by the assurance conclusion. These changes reflect current practice in the New Zealand market.

(c) A heading has been included in the basis for conclusions section to enhance readability and to reflect current practice.

6. The draft report has been circulated offline to targeted stakeholders prior to finalising.

7. Feedback received before close of business on 22 July 2026 has been incorporated into the attached report. Staff will update the Board verbally at the August meeting on any further feedback received after this date.

Sustainability assurance updates

8. In June the Board noted the sustainability assurance adoption and implementation plan focussed on sustainability assurance and ethics and independence. Staff issued the first monthly sustainability assurance update in July 2026.

9. This update introduced the series and focussed on questions that may arise on transition to the new standards.

10. The August alert will focus on materiality. It will draw from the IAASB's recent publication ISSA 5000 Frequently asked questions: the application of materiality and highlight areas relevant to the New Zealand regime.

Recommendations

11. We recommend that the Board:

    (a) APPROVE the illustrative assurance report, and

    (b) NOTE the sustainability assurance communication update.

Material presented

- Board meeting summary paper
- Draft illustrative assurance report

Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Illustrative Assurance Report

Limited assurance report over GHG disclosures in climate statements in accordance with ISSA (NZ) 5000

August 2026

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

This guidance provides an illustrative example limited assurance report over Greenhouse Gas ("GHG") emissions disclosures to meet the requirements of the Financial Markets Conduct (FMC) Act 2013. It illustrates the assurance report 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 to be applied for accounting periods beginning on or after 15 December 2026, however early adoption is permitted.

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 a Climate Reporting Entity (the CRE Company), a FMC Reporting Entity with higher levels 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, a fair presentation framework.
- 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: 2018 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 responsible for oversight of the CRE Company's climate reporting process.
- 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

To [Appropriate Addressee]

Limited Assurance Conclusion

We have conducted a limited assurance engagement on the gross Greenhouse Gas ("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"[1]). The GHG Disclosures subject to our limited assurance engagement are:

Subject Matter	NZ CS 1-3 reference	Reference
Scope 1,2 and 3 gross GHG emissions	NZ CS 1 para 22 (a)	Page X
Additional required disclosures of gross GHG emissions	NZ CS 1 para 24	Page X
GHG emissions methods, assumptions and estimation uncertainty	NZ CS 3 para 52 -54	Page X

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 frameworks for example The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, the Corporate Value Chain (Scope 3) Accounting and Reporting Standard or ISO 14064-1:2018 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.

Our conclusion on the GHG disclosures does not extend to any of the information included, or referred to, in the Company's Climate Statements on pages x to x or other information that accompanies or contains the Company's Climate Statements and our assurance report. We have not performed any procedures with respect to the other information.

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.

Independence and Quality Management

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.

Other Information[2]

The directors[3] 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 conclusion 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

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[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.

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.

Emphasis of Matter[4]

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

Responsibilities for the GHG Disclosures

The directors of the Company are responsible for[5]:

- 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: 2018 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: 2018 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.
- The directors are responsible for overseeing the Company's climate reporting process.

Inherent Limitations in Preparing the GHG Disclosures[6]

[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].

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.

Practitioner's Responsibilities

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

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

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

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¡][7]

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]

[7] 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.

Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

NZAuASB Board meeting summary paper

Meeting date:	5 August 2026
Subject:	**Technology**
Date:	22 July 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 for the Board to NOTE an update on international developments on emerging technologies and our planned approach to keeping our stakeholders engaged and informed.

Background

Emerging technologies is a key theme

2. The XRB's Statement of Intent identifies emerging technologies as relevant to keeping standards fit for purpose and supporting effective adoption and implementation.

3. The Statement of Intent highlights: "We will continue to proactively consider emerging global and domestic trends and the risks and opportunities for external reporting and assurance, such as digital reporting, use of AI and other technologies."

4. Promoting stakeholders' engagement on the impact of technology on assurance engagements is a key initiative for the year. This memo provides an overview of international developments and a summary of our overarching plan to keep stakeholders informed. This plan takes a thematic approach to technology, rather than a project-focused approach. Technology impacts several current and future projects, so a single overarching plan will help us coordinate stakeholder messages and draw attention to relevant developments.

5. In previous NZAuASB meetings, the Board AGREED that we are in "active monitoring" and "learning mode" recognising an appetite for guidance but not wanting to get ahead of global developments. The Board AGREED that it is not a priority to develop local guidance until we have learnt more about the IAASB's next steps. In April 2026, the Board NOTED the IAASB's technology catalogue that outlines insights and potential actions for emerging technology matters.

International boards are considering technology holistically

6. Emerging technologies create significant opportunities but also introduce new or amplify existing risks, for both quality management and ethics and independence. Used appropriately, these technologies may strengthen audit quality.

IAASB

7. The IAASB has issued its technology position statement that includes its 8 guiding actions and published an updated technology catalogue following the June IAASB meeting. The catalogue is a living document focussed on matters within the IAASB's remit: quality management, audit and other assurance engagements. An upfront snapshot presents a consolidated view of all technological matters that have been identified to date, why they are relevant, the status of those matters and which topic they impact. Subsequent tables summarise whether and how the identified matters have been allocated to active projects or workstreams.

8. The IAASB is considering the impact of emerging technology across multiple workstreams:
   - Audit evidence and risk response. Refer to the separate agenda on this project.
   - Developing non-authoritative material on technology and quality management. The plan is to issue a series of 5 guides. The first of these may be issued following the September 2026 meeting and the final completed package of all 5 guides would all be finalised following the June 2027 IAASB meeting.
   - Proposals to modernize external confirmations and inventory requirements for emerging technologies. These will be included in the 500 series Exposure Drafts that are intended to be published in January 2027.
   - Ongoing monitoring through the Technology Advisory Network and regular updates to its technology catalogue.

IESBA

9. The IESBA is considering technology in the following ways:
   - Whether the Code is fit for purpose meaning that it is principles-based and technology agnostic and built to withstand the pace of change. This led to the technology revisions to PES 1, International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) that have been applicable from December 2024.
   - Continuous horizon scanning. This involves the Technology Expert Group that monitors emerging developments in real time.
   - Supporting awareness, adoption and implementation. The IESBA's technology webpage summarises relevant developments. The IESBA released non-authoritative guidance on the characteristics of emerging technologies in July 2026.

10. Next steps for the IESBA include developing technology-specific non-authoritative material on artificial intelligence and agentic AI, the orchestration of AI agents, digital assets and quantum computing.

11. The IAASB and the IESBA are coordinating with each other as required when material is developed to promote consistency where needed.

We will help stakeholders navigate international technology material

12. Given the extent of international resources and the previous direction from the board to leverage international material, our focus is to help stakeholders identify relevant information and understand the key messages for audit and assurance practice in New Zealand.

13. We have developed a stakeholder engagement plan for the theme of emerging technologies. This plan encompasses multiple audit, assurance, and ethics and independence projects. This plan allows us to coordinate and share relevant messages in a timely way.

14. Our focus involves three main pillars:

Developments and stakeholder engagement	Proposed changes to standards	Guidance to support implementation

- **Developments and stakeholder engagement.** This pillar involves **actively monitoring** emerging technologies and their use, including raising awareness and engaging with stakeholders.
- **Proposed changes to standards.** This is **standard setting – amending principles-based standards**, if needed, and aligned to international developments, to ensure the principles evolve and remain fit for purpose and that there are no real or perceived barriers for the use of technologies**.**
- **Guidance to support implementation. Issuing** or **signposting** to **guidance or non-authoritative material** to facilitate the appropriate use of technology, enhance the quality of assurance engagements, and maintain trust and confidence.

15. Key messages for our communication to stakeholders are:
    - Emerging technologies are becoming more pervasive and increasingly informing how decisions are made and how trust is built.
    - Emerging technologies may enhance audit and assurance quality but they also introduce new risks. These new risks need to be identified, understood and mitigated. The characteristics of emerging technologies differ. Keeping the human in the loop is critical.
    - Our work is aligned with international developments (IAASB and IESBA). We contribute a New Zealand perspective to ensure local relevance.

Monthly alerts will share timely technology messages

16. We have a XRB technology resources webpage. We continue to update this regularly with material considered useful to New Zealand stakeholders.
17. Our stakeholders seek relevant technology-related publications. We aim to direct them to useful material. This support is particularly valued by assurance practitioners who may not have access to international networks or firm-level technical support.
18. Each month, staff will include a technology focus in an assurance alert. These updates will draw on international material, and link to the three pillars above. Providing monthly updates will give our stakeholders regular, and digestible messages about ongoing standard setting and guidance.
19. Our first communication, issued in July, explained why the topic is important and highlighted:
    (a) technology revisions that are included in PES 1
    (b) New IESBA guidance: A characteristics-based approach to ethical considerations.

Recommendations

20. Staff recommend that the Board NOTE the technology update.