Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

New Zealand Auditing and Assurance Standards Board (NZAuASB)

Minutes of the Meeting of the NZAuASB held at 8:45 am on Wednesday 10 June 2026

Present:	Graeme Pinfold, Chair Rebecca Palmer, Deputy Chair Darby Healey, Board Member Doug Niven, Board Member Mike Bradbury, Board Member Richard Kirkland, Board Member Todd Beardsworth, Board Member Vasana Vanpraseuth, Board Member
In attendance:	Wendy Venter, Chief Executive (Agenda items 2.3 and 3.1) Misha Pieters, Director Audit & Assurance Karen Tipper, Technical Director Bruce Mcniven, Enablement Manager (Agenda item 6 and 13) Thinus Peyper, Senior Project Manager (Agenda item 6 and 11) Sharon Walker, Senior Project Manager (Agenda item 12) Anna Herlender, Project Manager (Agenda items 8, 9 and 10)
Apologies	None

1. BOARD ONLY TIME (PRIVATE)

2. STANDING ITEMS (PRIVATE)

3. BOARD MANAGEMENT (PUBLIC)

3.1 Action list

The NZAuASB NOTED the action list. The Chair thanked Darby Healey and Mike Bradbury for their input into the published Going concern guidance.

The Board discussed the development of a communications plan to map the projects underway on the impact of technology. The plan will draw on international material rather than duplicate existing work, and will support ongoing engagement and regular updates to the New Zealand market.

3.2 Chair report

The Chair UPDATED the NZAuASB on participation at the recent JSS meetings noting that both the IESBA and IAASB valued the active contributions made by New Zealand via in-person discussions and submissions.

3.3 JSS report

The NZAuASB NOTED the JSS report. The NZAuASB DISCUSSED the key themes including technology, new fraud and cyber risks, private equity investment in firms and valuation uncertainty, while protecting comparability and trust. A consistent theme from the JSS discussions was increased demand for guidance to help implement principles based standards.

3.4 SAC highlights

The NZAuASB NOTED the SAC highlights.

3.5 AUASB update

The AUASB Chair provided a verbal update on:

- The proposed merger of the AASB, AUASB and FRC noting that the legislation has not yet been passed
- Federal Budget announcements:
    - To reduce compliance costs by increasing the monetary thresholds for large proprietary companies for both financial reporting and sustainability reporting
    - To consult on improving the efficiency of climate related financial disclosures including adjusting sustainability assurance settings to ensure that they are proportionate and practical
- That the AUASB is reviewing the first reports for sustainability assurance for unlisted companies and has not seen any modified reports so far.
- That they are currently seeking practical examples to inform development of guidance for sustainability assurance for modified assurance reports for unlisted companies and reports where no material climate risks and opportunities are identified

4. NZAuASB WORK PLAN (PUBLIC)

The NZAuASB RECOMMENDED that the 2026/27 workplan be submitted to the XRB Board for approval.

The NZAuASB NOTED the progress against the 2025/26 workplan.

The NZAuASB NOTED the 12 month rolling NZAuASB meeting plan and the 12-month rolling consultation plan.

5. BOARD DISCUSSION (PRIVATE)

6. LESS COMPLEX ENTITIES (PUBLIC)

The NZAuASB DISCUSSED concerns raised by auditors of less complex entities (LCEs). These auditors consider that they may be unnecessarily precluded from using ISA (NZ) for LCE when they rely on controls reports as audit evidence. The NZAuASB DISCUSSED:

- why auditors want to use control reports as audit evidence, noting that it was unlikely that auditors are doing a controls-based audit for a less complex entity
- that auditors use available controls reports for investment balances when considering the reliability of the information (related to the net asset value of the investment) they received directly from the fund manager, or other relevant third party (for example a custodian)
- there is a risk that auditors may assume audit evidence can be obtained solely from the controls report, while performing other substantive procedures may still be needed on the existence and valuation assertions related to the fair value of the investment

- whether further guidance is needed to clarify what evidence the controls reports provide to ensure that the reports are used in an appropriate way
- this restriction is seen as a barrier to adoption of the standard.

Adding requirements to the ISA (NZ) for LCE standard may over complicate the standard. However, the NZAuASB considered that adoption of the ISA (NZ) for LCE is unlikely unless the standard is amended. There is a perception that the restrictive settings are a barrier to adoption. The NZAuASB was also of the view that outsourcing is on the increase. Such additions would help to future proof the standard. Overall the NZAuASB AGREED that there are compelling reasons to consult to amend the standard.

- The NZAuASB AGREED with the proposed project timeline. Given the need to approve a consultation document and exposure draft at the August meeting, the NZAuASB agreed that Todd and Vasana provide support as the exposure draft develops.

7. POST IMPLEMENTATION REVIEW ISA (NZ) 540 (PUBLIC)

The NZAuASB AGREED the key messages to reflect in the response. These included that ongoing challenges stem from implementation rather than from the standard itself. Uncertainty is growing so accounting estimates will increasingly be one of the most contentious and complex audit areas. Lessons from sustainability assurance engagements where reporting is highly uncertain will increasingly flow through to auditing accounting estimates. Regulators continue to raise inspection findings. These relate to inadequate audit documentation. Diligent documentation over challenging matters requires time and skill.

The NZAuASB APPROVED the response, subject to the following changes being made:

- Tightening the language to be more assertive and direct to clearly state the message that we want to convey
- Clarifying that stakeholders are wanting more practical case studies while supporting that the standard should remain principles based. Agreement that "case studies" is clearer language than recommending developing more guidance
- Scaling is challenging. If you assess that there is a risk of material misstatement you are required to follow all the steps which may not always be applicable for a less complex estimate
- Clarify that it is the lack of documentation of the understanding, rather than a lack of understanding in a number of places in the draft response
- Reflecting that consistency of documentation across the audit file is a key challenge Emerging technology may provide opportunity to enhance documentation
- That the linkage between ISA 315 and ISA 540 is not clear. ISA 315 is risk based but ISA 540 requires specific audit procedures meaning that the work that is performed may not be representative of the assessed risk. This is a key challenge for proportionality
- Retrospective reviews can be very valuable where they are relevant. Documenting why a retrospective review is not relevant
- Removing specific examples related to building valuations as not considered relevant
- Emphasising that doing a point estimate is costly and this is why it is not done in practice
- Separating the point about "black box" and "proprietary" as these are separate issues

The NZAuASB delegated authority to the Chair to APPROVE the final submission.

8. SUSTAINABILITY ASSURANCE (PUBLIC)

The NZAuASB NOTED the sustainability assurance plan and requested that the staff continue to apply a coordinated approach across the XRB to consider any assurance issues that may arise from the climate roadmap consultation.

Staff were asked to consider whether there are any insights from Australian adoption of the assurance standard that can be shared as part of the implementation approach.

The NZAuASB DISCUSSED:

- The addressee of the illustrative assurance report for Greenhouse gas disclosures using ISSA (NZ) 5000. The report is required to be addressed to shareholders in Australia, whereas the NZ legislation is silent on addressee. There is variation in practice. Some firms have concerns that addressing the report to shareholders increases legal risk
- Ways to clarify within the opening paragraphs more precisely what is within the scope of the assurance engagement and what is other information informed by current best practice
- Ways to enhance readability by including headings in the basis for conclusions section.

Targeted testing of the report with practitioners and engaging with the regulator would be a useful way to test the developing illustrative report.

9. POST IMPLEMENTATION NON-COMPLIANCE WITH LAWS AND REGULATIONS (NOCLAR) (PUBLIC)

The NZAuASB RECEIVED a verbal update of feedback from the virtual roundtable, including:

- Limited transparency over how the NOCLAR provisions are working in practice
- A desire for real-life examples to bring it to life. Examples provided included AML, late filing of financial statements and interaction with whistleblowing provisions
- That there is a lot of ground that falls between “clearly inconsequential” and “substantial harm”. There is a lack of clarity as to the work effort for those scenarios that fall between.

The NZAuASB AGREED that key messages include that the NOCLAR framework has been useful in the right context, however there is still a need for further awareness raising, given that NOCLAR matters are confidential. Real-life case studies would be especially useful. Challenges persist around the interpretation of the boundaries of NOCLAR obligations and the risk of expanding the expectation gap.

The NZAuASB APPROVED the draft submission subject to the following changes:

- Emphasis that differences in interpretation between auditors and regulators in relation to the level of knowledge required persist. Given the increasing number of regulators, inconsistent interpretation risks growing the expectation gap
- There is uncertainty about how to adjust the breadth and depth of response for those examples that fall below “substantial harm”

- The need for clarification about the interaction of the clearly inconsequential concept and the materiality concept applied for financial statements audit
- Practical challenges of reporting NOCLAR that are more than clearly consequential in group audits
- Clarifying what has been reflected by inspection findings on NOCLAR in New Zealand.

The NZAuASB delegated authority to the Chair to APPROVE the final submission.

10. POST IMPLEMENTATION REVIEW RESTRUCTURED CODE (PUBLIC)

The NZAuASB RECEIVED a verbal update of feedback from the virtual roundtable, including:

- Building block approach is especially helpful in educating and training on the Code
- Practitioners want to find answers quickly
- Length of the Code is intimidating
- Repetition adds to the bulk
- Technology could help in navigation
- Language remains suited to bigger organisations

The NZAuASB AGREED that the key message should express concern about the length and complexity of the Code. The NZAuASB considered that this undermines understandability and scalability. The response should suggest ways to improve usability and accessibility. The NZAuASB APPROVED the draft submission subject to the following changes:

- Strengthen the tone of the submission in recommending improving usability of the Code
- Emphasise that the IESBA cannot just keep adding and adding
- Highlight opportunities to repackage and streamline. Suggest that IESBA think about a less complex entity version for scalability and proportionality
- Emphasise the opportunity for technology to improve usability, support users' access and understanding of the Code without bypassing the fundamental principles and conceptual framework
- No issues have been identified in relation to New Zealand specific requirements added to the Code
- Case studies could help make the Code more practical by illustrating how principles apply in real-world situations.

Separately the NZAuASB considered the need for robust documentation around the New Zealand specific requirements added to the Code and the assessment why it remains fit for purpose for New Zealand, in light of the Regulatory Standards Act principles.

The NZAuASB delegated authority to the Chair to APPROVE the final submission.

11. EG Au8 AND GUIDANCE ON INVESTMENTS IN MANAGED INVESTMENT SCHEMES (PUBLIC)

The NZAuASB RECEIVED a verbal update from the AUASB meeting:

- Minor comments were made on the control objectives related to valuation governance and methodology. External consultation with industry on the suite of control objectives was therefore supported.
- Due to the interrelationship between the user auditor and service organisation auditor guidance, it was decided to keep GS 007 as a single document.
- There was consensus not to further delay the revision of GS 007 until additional guidance on the valuation of investments in externally managed unlisted funds/schemes can be finalised.
    - It was acknowledged the additional guidance will be developed as a separate workstream with its own timelines.

The NZAuASB AGREED:

- That audit guidance on the fair value of investments in externally managed unlisted funds / schemes should be developed jointly with the AUASB.
- That such guidance should be developed separately from the EG Au 8 revisions.
- That existing and additional New Zealand representatives be approached to bring the New Zealand perspectives to the Project Advisory Group (PAG) discussions as the project moves into the guidance on valuation. Additional NZAuASB representation on the PAG may also be useful.
- The importance of communications to manage expectations in the market, to communicate plans on developing the additional guidance.
- there were no suggestions on the content of the control objectives. The NZAuASB DISCUSSED that the control activities related to these control objectives are often not outsourced by New Zealand fund managers and would therefore not form part of the controls reports issued under EG Au 8. The auditor of a New Zealand fund would however be able to test the controls at the fund when following a combined audit approach.

The NZAuASB AGREED that the next steps should be to:

- Consult with industry on EG Au8 / GS 007.
- Arrange a final PAG meeting to discuss industry input and comments.
- Present the final draft EG Au8 / GS 007 for the Boards' approval in August.
- Discuss a draft project plan for the additional guidance at the August meeting.

12. INTERIM REVIEW ENGAGEMENTS (PUBLIC)

The discussion on interim review engagements was deferred to the August 2026 meeting.

13. BOARD DISCUSSION (PRIVATE)

14. BOARD MANAGEMENT (PRIVATE)

15. CLOSE MEETING

The next meeting of the NZAuASB will be held virtually on 5 August 2026.

The meeting closed at 4:30 pm with a closing karakia.