

2. (untitled)

1. From which perspective are you providing this feedback? [* Required where indicated]

Standard setter

Please provide the following contact information:

First Name

Sharon

Last Name

Walker

Job Title/Role

Senior Project Manager

Email Address

sharon.walker@xrb.govt.nz

Organization Name (if applicable)

External Reporting Board

2. In which country or jurisdiction do you or your organization work or serve? (If international, please indicate so; if a region of the world, please indicate which region)

If country, please select country?

New Zealand

OR if a region of the world, please indicate which region:

OR if international, please indicate by ticking the box:

3. (untitled)

B.1 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

The NZAuASB supports prioritisation by the IESBA of this topic in its future strategy.

The NZAuASB anticipates that the trends and developments in technology and innovation could be addressed without resulting in a fundamental change in the Code, as it is principles based. However, the importance of these questions is indisputable as was confirmed in the discussions at the recent National Standard Setters meeting in New York. Therefore we believe that this is a key area for the IESBA to explore, proactively seeking to understand and address ethical dilemmas rather than reactively. Such considerations may include:

- Privacy of information

- o for example, with respect to use of social media.

- o jurisdictional issues relating to where the data is stored vs where the data is used.

- The impact of technology, for example, blockchain technology, data analysis, and artificial intelligence, on

the process of auditing and the need for, and exercise of, professional judgement and professional scepticism.

- Data security - storage, control and access. Who is responsible when client data is hacked?

It is important that the Code remains relevant in the fast-changing technological environment. The NZAuASB urges the IESBA to work closely with the IAASB in exploring both the standards and ethical implications of technological development.

B.2 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

The NZAuASB supports prioritisation by the IESBA of this topic in its future strategy. The NZAuASB has not identified any specific areas of concern surrounding emerging or newer models of service delivery that we believe would result in a fundamental change in the Code, as it is principles based. However, to ensure that the Code remains relevant it is important to explore the ethical implications of the changing environment and new models of service delivery. Such considerations may include independence issues relating to use of contractors and portfolio workforces, the notion of the "liquid workforce" that was discussed at the National Standard Setters meeting, and the importance of ensuring that staff who work remotely, or work for multiple employers or with flexible work habits, understand and can give effect to the fundamental ethical requirements as they apply to auditing (as well as other forms of professional practice).

B.3 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

The NZAuASB supports prioritisation by the IESBA of this topic in its future strategy.

In New Zealand, the PIE definition includes all entities that prepare financial statements that comply with tier 1 accounting requirements. In practice this includes entities such as

- Financial Market Conduct (FMC) entities considered to have a higher level of public accountability
 - o Both listed debt and equity
 - o Registered banks
 - o Insurers
 - o Credit unions
 - o Building societies
 - o Licensed derivative issuers
 - o Licensed MIS managers
 - o Recipients of money from a conduit issuer

- large public sector entities,
- large not-for profit entities,
- banks and insurance companies

We acknowledge the concern expressed by the small and medium practices community, that the independence requirements are increasingly disproportionate in those circumstances where audit and review services are provided to small entities that fall within the PIE definition. We have noted this to be the case in New Zealand, and are examining the impact on small or medium listed issuers and their assurance practitioners in the light of the new long association requirements. However, the NZAuASB is in favour of retaining a consistent approach to all PIEs as it provides clarity, consistency and stability.

The NZAuASB believes there is merit in the IESBA doing work to gain a comparative understanding of the global impact of the definitions of Public Interest Entity and Listed Entity across different jurisdictions including, for example, how the definition applies in the public sector as well as its application to significant public interest entities, such as banks and insurers, that are not listed entities, and other entities that raise money from the public.

B.4 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

The NZAuASB supports prioritisation by the IESBA of this topic in its future strategy.

The definition of "related entity" is noted as problematic by some constituents, specifically as it is based on control and significant influence. There are a number of unit trusts and mutual funds (and other collective investment vehicles) in New Zealand which may not be 'related entities' within the definition of a related entity within the Code, but which it would be appropriate to treat as 'related' when considering the independence provisions. Clarifying the application of the independence provisions to those 'related' entities should be a priority for the IESBA's next strategy cycle. This is important to ensure a consistent approach to independence, and to avoid the risk of compromising audit quality.

B.5 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

The NZAuASB mandate is limited to developing and issuing auditing and assurance standards, including ethical standards for assurance practitioners. This applies only to professional accountants in their role as assurance practitioners, and does not extend to tax planning and related services. Accordingly, the NZAuASB does not see this as a priority in the context of its mandate.

We do note, however, that a number of constituents indicated this topic to be a priority during our consultation.

B.6 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

The NZAuASB supports prioritisation by the IESBA of this topic in its future strategy.

Guidance on materiality as it relates to the assurance practitioner's consideration of materiality is presented in the proposed restructured Code. However, there is no guidance on the consideration of materiality in the Code in a context other than in an audit (or review) or other assurance engagement. Accordingly, the NZAuASB supports inclusion of materiality as a potential future topic. We strongly recommend that any such guidance should include consideration of materiality as it relates to non-financial information.

B.7 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

The NZAuASB does not view communication with those charged with governance as a priority for the IESBA. The International Standards on Auditing already contain robust communication requirements regarding independence, which also addresses the fundamental principles of objectivity and integrity.

B.8 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

The NZAuASB supports prioritisation by the IESBA of this topic in its future strategy. From a regulator perspective, inadequate documentation on how independence is considered and met is a key issue. Areas that may benefit from further discussion are documentation of the assurance practitioner's consideration of threats to independence, including the application of professional judgement and ethical conflict resolution.

B.9 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

As noted in the response to B5, the NZAuASB's responsibility applies only to professional accountants in their role as assurance practitioners and does not extend to professional accountants in business. Accordingly, we do not comment on this topic.

4. (untitled)

B.10 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

The NZAuASB does not consider this topic to be within the 6 highest priorities of potential future priorities.

We note the specific matters raised and acknowledge that the Code would be strengthened by consideration of those matters. However, we are not aware of any recent failures that may indicate that the Code, as drafted, is not working appropriately.

Should the IESBA decide to prioritise this topic in its future strategy, we urge it to consider the consistency within the Code, particularly the inter-play between breaches of the Code by the professional accountant and breaches of laws and regulations. For example, the NOCLAR provisions do not require the professional accountant to report a breach; rather, they provide the professional accountant with the right to report the breach. (Addressing this consistency could also be useful in the post-implementation review of the NOCLAR provisions, especially given the difficulties being encountered in some jurisdictions in giving effect to those provisions, as discussed at the National Standard Setters meeting.)

B.11 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

The NZAuASB has not identified this topic as a top 6 priority for the IESBA. However, as noted below we do believe that consistency in the definitions and descriptions used in standards issued by the IFAC standard setting boards is important.

The work of the IESBA and the IAASB complements each other in that the IESBA provides high quality ethical standards for professional accountants, including independence requirements for assurance engagements. To ensure consistent application of the Code and the standards issued by the IAASB it is critical that, to the extent possible, there are consistent definitions and descriptions of terms. This is particularly important for those jurisdictions that have adopted both the standards issued by the IAASB and the Code of Ethics, especially where (as in New Zealand) this is the responsibility of a single standard-setting board, and it will assist in the further adoption and effective implementation of the Code globally.

B.12 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

The NZAuASB has not identified post-implementation review of the restructured Code as a priority for the current strategy period.

While it is important that the IESBA carry out a post-implementation review to facilitate the adoption and effective implementation of the Code, the timing of such a review is critical, and the post-implementation review should not be carried out too soon following the effective date of the restructured Code.

The NZAuASB believes that a post implementation review of the NOCLAR and long association provisions is of higher priority than the post-implementation review of the restructured Code.

B.13 Do you have any specific comments on this topic and, in particular, why this topic should or should not be prioritized?

The NZAuASB has identified this as an immediate priority, linked to the consideration of Public Interest Entity and Listed Entity discussed under question B3. We note that considerable effort has already been spent in this area; however, we view this as increasingly important as audits go beyond historical financial information. Any initiative in this area will require engagement with those who use the work of auditors.

Are there any trends, developments or issues not otherwise covered in this section that you would rank in your top six priorities? If so, please explain why.

The NZAuASB has identified a post-implementation review and monitoring of the long association provisions as a high priority, and has noted the indication given at the National Standard Setters meeting that the IESBA will discuss the impact of the provisions next year. The NZAuASB is currently considering the impact of the proposed changes on SMPs in New Zealand, and will be in a position to contribute to such a review at that time.

Please rank your top six priorities among items B.1 to B.13 above (1 being highest and 6 being lowest).

1. B.1 Trends and developments in technology and innovation
2. B.2 Emerging or newer models of service delivery
3. B.4 Collective investment vehicles
4. B.3 Concepts of “public interest entity” and “listed entity”
5. B.8 Documentation
6. B.6 Materiality

5. (untitled)

C.1 Do you have any comments on any of the above activities or initiatives? In particular, do you believe any of them should not be a strategic priority for the IESBA and, if so, why? Please be as specific as possible.

In New Zealand, we adopt the Code. We have no specific comments on the proposed activities or initiatives. We fully support the IESBA in its efforts to raise awareness of the improvements to the Code and promote its further adoption and effective implementation globally.

C.2 Are there any specific activities or initiatives you believe the IESBA should undertake to promote further adoption and more effective implementation of the Code? If so, please explain why.

6. (untitled)

D.1 Are there any particular matters you believe the IESBA should consider in relation to any one of these pre-existing commitments? Please be as specific as possible and explain your reasoning.

The NZAuASB fully supports the continuation of current projects, particularly amendments to the Code to align with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.

7. (untitled)

Section E: Any Other Strategic Matters

E.1 Are there any other matters of strategic importance not covered elsewhere in this survey or your earlier responses that you believe the IESBA should consider as it positions the Code for 2025? Please be as specific as possible.

The NZAuASB continues to believe that there should be only one set of Independence standards, i.e., the independence standards for other assurance engagements should be aligned with the independence standards for audit and review engagements.

Within the Code, the independence requirements pertaining to the provision of non-assurance services to an assurance client are less robust than those pertaining to audit and review clients. In an audit or review engagement, the objective of the auditor is to obtain reasonable or limited assurance respectively. Similarly, in an other assurance engagement, the objective of the assurance practitioner is to obtain reasonable or limited assurance. Accordingly, the NZAuASB considers the framework proposed for auditors and reviewers is equally appropriate to other assurance practitioners.

8. (untitled)

3. Please confirm that you have completed all your responses?

| Yes