

Envisioning the Future—Survey on the IAASB’s Future Strategy

Response ID:703 Data

7. SECTION III: ABOUT THE RESPONDENT

1. From which perspective are you providing this feedback:

The view of an organization.

Please Indicate:

2. Please complete

Name of Organization: : New Zealand Auditing and Assurance Standards Board

Name or Person submitting Survey on behalf of the organization: : Misha Pieters

3. Select from the following options that describe your organization:

National Standard Setter

Is this a/an:

Is this response on behalf of the global network?

Is this response on behalf of a regional or national firm?

Other Firm?

IFAC Member Body or Other Professional Organization

4. National auditing standards same as, or based on, the IAASB’s current International Standards on Auditing

Yes

Please specify which standards are used:

5. Other national standards same as, or based on, IAASB’s other standards (i.e., assurance, related services and reviews)

No

6. Please specify which standards are used:

Other assurance standards are based on the IAASB standards. Related services are beyond the mandate of the NZAuASB and have not been issued by the NZAuASB.

Are you a listed or non-listed entity?

Small or Medium-Sized The concept of ‘smaller or less complex entities’ varies country by country, but ordinarily exhibits one or more of the following characteristics: Concentration of ownership and management in a small number of individuals. One or more of the following: Straightforward or uncomplicated transactions. Simple record keeping; Few lines of business and few products within business lines; Few formal internal controls; Few levels of management with responsibility for a broad range of controls; or Few personnel, many having a wide range of duties.

.Entity?

Please Indicate:

Do you apply International Standards of Supreme Audit Institutions (ISSAIs) for financial audits

Those Charged with Governance

Private Sector

Please specify in the box below.

Are you any of the following?

7. Please select the geographical region where you are based:

Oceania

8. SECTION IV - QUESTIONS FOR RESPONDENTS ABOUT THE IAASB'S STRATEGY FOR 2020-2023

8. 1. In your view, will the strategic environment affecting the needs of the IAASB's stakeholders look like in 2020 onward and what will be the impact on the IAASB's International Standards (for example, will the audit market change significantly; will other services dominate stakeholders needs – including what the needs may be for different types of evolving services; how evolving technologies, such as cryptocurrency, artificial intelligence or blockchain , will impact the environment in which the IAASB's stakeholders operate, etc.).

Changes in technology are likely to be a key driver of how the strategic environment will change. While change may enable a level of assurance or additional services that have never been possible before (for example, real time auditing), these changes may add to challenges such as whether information is capable of being assured and what evidence is available to support any conclusions. Retaining a principled based approach to standard setting may be the only way to keep pace with technological changes.

Demands from stakeholders are likely to be broader, including demands for assurance over non-financial information, as well as demands for variations in the type of service or assurance sought depending on the size and complexity of the entity. Scalability of the auditing standards for SME/SMPs may come under increasing scrutiny for standard setters.

The NZAuASB considers that the distinction that is made in the assurance framework between financial and non-financial information will come under additional pressure into the future. Our recent experience highlighted the challenges of having separate assurance requirements over financial and non-financial information when developing a New Zealand standard on the audit of service performance information.

Increasing demand for non-financial information may also increase the need for greater collaboration by the IAASB with other assurance providers (non-accounting) and assurance frameworks (for example the international conformity assessment framework established through ISO and international trade agreements).

The NZAuASB considers that the audit market will change significantly, as reflected in the key themes described by the IAASB. With ever increasing pressure and restrictions on the types of services that audit firms are able to perform, we consider that the audit firms themselves will change significantly.

There is also increasing pressure on the ongoing viability and profitability of audit, which may result in a decrease in the number of audit firms and auditors due to decreasing profitability and increasing compliance costs. The attractiveness of the profession, including the ability to attract and retain staff, may continue to come under pressure as regulators drive to take control of the standard setting and enforcement landscape and drive for a more rules based audit.

1. In your view, will the strategic environment affecting the needs of the IAASB's stakeholders look like in 2020 onward and what will be the impact on the IAASB's International Standards (for example, will the audit market change significantly; will other services dominate stakeholders needs – including what the needs may be for different types of evolving services; how evolving technologies, such as

cryptocurrency, artificial intelligence or blockchain , will impact the environment in which the IAASB's stakeholders operate, etc.). - Text Analysis

9. 2. Section II. Describes the additional challenges and opportunities that the IAASB has identified relating to its people, processes and technology, including possible changes that may arise from the MG consultation. In your view, as the IAASB develops its Strategy for 2020–2023, what are the:

- (a) Key challenges and other factors that may impact the IAASB's activities and focus; and**
- (b) Main opportunities for changing the way it undertakes its activities.**

Your response may include views about the matters identified by the IAASB as set out in Section III, but any views about matters that have not been mentioned are particularly welcome.

The key challenges include:

- The outcome of the MG consultation and the uncertainty it creates during any transition period, including the ability to attract technical staff to support the standard setting process in the current environment.
- The differing expectations for large listed entities versus SMPs/SMEs and how best to cater for both.
- The need for the value of the audit to be better understood, especially in light of recent corporate failures.
- Fast pace of change will increasingly demand a response by the IAASB in a timely manner.
- The possible impact of a change in audit firm dynamics including increasing challenges to attract and retain experienced professionals e.g. audit only firms, black list approach to non-assurance services and stricter independence requirements.

Main opportunities:

- Exploring ways to utilise and leverage off the people, processes, technology and activities of national standard setters, to assist where appropriate.
- Explore ways to speed up the standard development process without losing the benefits of consultation with all stakeholders and robust discussion to ensure that the standards developed are of a high quality.
- Use of technology to connect globally in a cost-efficient way.
- Responding to changes in reporting frameworks including in sustainable finance which is specifically identified and targeted in the European Union's Action Plan on sustainable finance.

10. 3. Are there specific initiatives within the stakeholder group to which you belong, or of which you are aware, that you believe the IAASB should actively monitor in light of their potential to inform the IAASB's future agenda? If so, what are they, and why do you think they are relevant to the IAASB?

The NZAuASB continues to work on an auditing standard on service performance information. We have previously highlighted the relevance of this project to the IAASB's work on EER. The External Reporting Board is in the process of considering and implementing a strategy for EER in New Zealand with a focus on user demands in collaboration with other key stakeholders.

The NZAuASB has the following key projects, which are in a very early stage of development or just commencing, on its strategic work plan that may be of interest to the IAASB:

- Developing an assurance standard on the examination of prospective information
- Developing an engagement standard or guidance to promote credibility in financial statements where engaged by a smaller entity, and no statutory audit is required.

The NZAuASB is also considering whether and how best to work with all parties in the financial reporting supply chain to support enhancements in audit quality, for example, to develop guidance for audit committees.

The NZAuASB has issued domestic standards, in addition to, or updated from, those issued by the IAASB:

- NZ SRE 2410 Review of Financial Statements Performed by the Independent Auditor of the Entity
- SAE 3100 Assurance Engagements on Compliance

9. THE FOCUS OF THE IAASB'S ACTIVITIES IN 2020–2023

11. 4. Section II illustrates that the IAASB has, and will continue to, focus a significant part of its efforts in 2015–2019 on revising and developing standards addressing the audit of historical financial information and quality control. With respect to new standard-setting projects for the period 2020–2023, in light of where you believe IAASB actions are needed and to continue to serve the public interest, in your view what proportion of effort should the IAASB allocate to each of the following? (Allocation should total 100%)

Quality control : 15%

Audits and reviews of historical financial information : 25%

Other assurance- [EER](#)Emerging Forms of External Reporting (EER) refers to emerging forms of external reporting by entities that increasingly provide non-financial information that goes beyond the traditional (financial statement) focus on the entity's financial position, financial; performance and impact on its financial resources. engagements : 20%

Other assurance (and [related services](#)Related services pronouncements include:ISRS 4400, Engagements to Perform Agreed-Upon Procedures Regarding Financial Information (currently being revised); ISRS 4410 (Revised), Compilation Engagements.) - other than EER engagements : 10%

Professional skepticism : 10%

Matters relating to audits of smaller and less complex entities : 20%

Total : 100%

Comments: The NZAuASB considers that all of these topics are important. A lower percentage is given to other assurance (including agreed upon procedures (AUP)) reflecting that this topic may not be as time consuming as some of the others. The work to consider professional scepticism is split between the IAASB and the IESBA and therefore a lower percentage has been allocated to that work stream. FAQs, illustrative examples of good or poor professional scepticism may be more useful than amendments to the standards. The need to address matters relating to audits of smaller and less complex audits is considered to be a high priority for a jurisdiction like New Zealand, where there are still a number of smaller audits performed for smaller and less complex entities. Implementation support of the revised quality control standards will be needed to support implementation.

12. *Please provide relative %; for each option by category to total 100%*

	(i) Developing new or revised standards	(ii) Undertaking implementation activities	(iii) Apply efforts to both
Quality control		100%	
Audits and reviews of historical financial information	50%	50%	
Other assurance – EER engagements		100%	
Other assurance (other than EER engagements) and related services Related services pronouncements include: ISRS 4400, Engagements to Perform Agreed-Upon Procedures Regarding Financial Information (currently being revised); ISRS 4410 (Revised), Compilation Engagements.	80%	20%	

Comments: While revising the quality control standards is important, and is a focus in the current work plan, in order to assist in implementing the revised quality control standards, the NZAuASB considers that additional implementation material will be needed to assist application to/by SMEs/SMPs. In the audit and review of financial information, new and revised standards are important to ensure that the standards continue to evolve to deliver quality audits, in light of changes in data analytics and artificial intelligence. However, given the significance of changes like the auditor reporting changes, and current projects to revise ISA 540 and ISA 315, there will be an increase in the need for post-implementation reviews and consideration of how best to support implementation of the new standards being issued. In addition, guidance to address topics like the fast pace of change in technology may be best dealt with in guidance, where there may be more ability to respond more quickly. In the EER space, it is too early to develop new standards, and the NZAuASB is strongly supportive of the approach indicated by the IAASB to focus on guidance first. However, the IAASB should also prepare to respond quickly when the demand for a standard arises, as the demand may change quickly. In addition, the IAASB may face increasing pressure to reconsider whether the distinction that is made in the assurance standards between financial and non-financial information is still fit for purpose, if the demand for assurance over integrated reports grows. For other assurance engagements, the majority of effort will be needed for revising the agreed upon procedures standard but there will be a need to support the implementation of the standard once issued.

13. 6. In relation to the development of new, or the revision of extant, standards as noted in Question 5, and in keeping an open mind as to the impact of the evolving environment and the challenges and opportunities for the IAASB in 2020–2023, should the IAASB, in your view:

- (a) **Focus first on a strategic review of extant standards (for example, consider how the standards could be better structured or presented in light of evolving technologies) before prioritizing projects on new topics. Please provide an explanation for your view.**
- (b) **Prioritize projects on new topics (as determined by the consultation on the IAASB’s future strategy and priorities). Please provide an explanation for your view.**
- (c) **During implementation of the current standards under revision (i.e., those standards that currently have a committed project plan in place), consider a moratorium on developing new or other revised standards? If so, how long should such a moratorium last? Please provide an explanation for your view.**
- (d) **Undertake other actions related to the development of new, or revision of extant, standards, and/or implementation support. Please describe what these actions should be and provide an explanation for your view.**

The NZAuASB recommends that the IAASB focus first on a strategic review of extant standards, dealing with evolving technology and scalability for smaller entities before starting new projects. This may allow time for implementation of new and revised standards currently under development to come into effect. The NZAuASB cautions against prioritising new topics given the challenges faced with the current suite of

standards and due to resource constraints.

Given existing criticisms about the time it takes to respond to arising matters, the NZAuASB would not support a moratorium on developing new or revised standards. While the NZAuASB considers that the IAASB should not commit to more projects at this time, if key matters arise, the IAASB would need to respond in a timely fashion.

In New Zealand, the NZAuASB has not heard views that the auditing standards are in urgent need of revision, rather there are some areas of implementation or application where a focus on application guidance may be able to be developed in a more timely manner, and assist in improving application of standards which many consider to be fit for purpose.

14. 7. If there was a specific topic(s) that, in your view, should be the IAASB's priority(ies) when developing new, or revising existing, standards or related guidance for the period 2020—2023, what would it be, and why?

Where applicable, kindly indicate whether in your view the topic(s) (you have indicated) has particular relevance mainly for engagements for listed entities, small- and medium-sized entities (SMEs), or for entities of all sizes. Views in relation to matters of relevance to developing nations and the public sector are also encouraged.

Guidance, in the form of frequently asked questions, on what is appropriate when the auditor places reliance on experts and third party information. This has become an increasing focus of the regulators, with findings relating to insufficient work performed by the auditors where management experts or auditors' experts are used (as identified in the Audit Quality Monitoring Report 1 July 2016-30 June 2017 issued by the Financial Markets Authority (the New Zealand regulator)).

For example, auditor's may find additional guidance on what is expected where a client has made use of the market leading expert to develop an estimate, where there are no other equally qualified experts available.

We consider such guidance will be equally relevant to audits of entities of all sizes, and is also applicable to other assurance areas, for example assurance over EER.

15. 8. Are there any other topics of interest or matters of relevance that you feel the IAASB should consider when conducting its strategic review, including those related to its the way that the IAASB undertakes its activities (e.g., changes to address matters highlighted in the MG review)?

- Exploring ways to utilise and leverage off the people, processes, technology and activities of national standard setters.
- Explore ways to speed up the standard development process without losing the benefits of consultation with all stakeholders and robust discussion to ensure that the standards developed are of a high quality.
- Use of technology to connect globally in a cost-efficient way.
- Watching brief on use of data analytics, machine learning and artificial intelligence and the impact on the audit process.