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Via email: [jeremy.richardson@rbnz.govt.nz](mailto:jeremy.richardson@rbnz.govt.nz)

Dear Jeremy

### Consultation on Bank Disclosure Assurance Requirements

Chartered Accountants Australia and New Zealand (CA ANZ) welcomes the opportunity to comment on the proposed changes to the disclosure Orders in Council (OICs) to simplify and modernise requirements for assurance reports on registered banks' public disclosure statements.

We commend the Reserve Bank of New Zealand (RBNZ) for its efforts in responding to feedback received from stakeholders, such as the External Reporting Board (XRB) and auditors, and attempting to resolve the challenges identified. The changes proposed in this consultation are a good starting point toward addressing some of those challenges.

Assurance practitioners are required to carry out and report on assurance engagements in accordance with the auditing and assurance standards issued by the New Zealand Auditing and Assurance Standards Board (NZAuASB) – a sub-board of the XRB. When legislation seeks to prescribe the nature of the work and/or the form and content of the resulting assurance report there can be duplication or contradictory requirements between legislation and the NZAuASB standards. This puts assurance practitioners in a difficult position of having to breach either the law or their professional obligations.

We support clarifying the scope of the assurance engagements, in particular which parts of the disclosure statement are to be subject to which level of assurance, aligning the terminology used to describe this with that used in the NZAuASB standards, and removing duplication of the requirements in the NZAuASB standards.

When it comes to how the assurance engagement is conducted, and the form and content of the assurance report, we support referring to the applicable “auditing and assurance standards”. However, this term is not defined in the OICs, so we recommend adding a definition that makes reference to it having the same meaning as [section 5\(1\) of the Financial Reporting Act 2013](#) so that law and auditors' professional obligations are one and the same. In our view this would provide a more effective anchor and negate the need to repeat the phrase “prepared in accordance with applicable auditing and assurance standards” with every reference to an assurance report.

We support restricting the assurance over compliance with conditions of registration and the guidelines issued under section 78(3) of the Act to specified schedules (as opposed to the whole disclosure statement). We understand this is what has already been happening in practice, so we do not expect this to result in a change of scope.

**Appendix A** provides our responses to the specific questions raised in the consultation paper, **Appendix B** provides our suggested drafting of the local OIC (given the branch OIC is similar, the suggestions are equally applicable) and **Appendix C** provides more information about CA ANZ.

Should you have any questions about the matters raised in this submission or wish to discuss them further, please contact Zowie Pateman FCA, Deputy Leader – Reporting and Assurance, at [Zowie.Pateman@charteredaccountantsanz.com](mailto:Zowie.Pateman@charteredaccountantsanz.com)

Yours sincerely

**Peter Vial FCA**  
Group Executive – New Zealand Country Head

**Amir Ghandar FCA**  
Leader – Reporting and Assurance

# Appendix A

## Responses to specific questions

### Question 1a: Do you agree that the changes will make assurance reports on disclosure statements easier to navigate and more readable? What types of reader do you expect to consider these reports?

We support the one substantive change that is proposed to the content of the assurance report, as it will go some way to reducing the length and complexity of the assurance report. No longer requiring the statements in clauses 2(1)(d) and 2(1)(e) of Schedule 1 (whether or not the auditor has obtained all the information and explanations that the auditor has required; and whether or not, in the auditor's opinion, as far as appears from an examination of them, proper accounting records have been kept by the registered bank's banking group) means the section on "other legal and regulatory requirements" can be removed from the assurance report, thus reducing its length.

We recommend providing the option of presenting the various assurance opinions/conclusions in separate assurance reports, as opposed to one single report, as this would make each assurance report shorter and hence easier to navigate. The disclosure requirements in the OIC are often presented within the notes to the financial statements the assurance opinion/conclusion has to contain multiple curve outs to describe the scope which adds to the complexity. Whilst outside the scope of this consultation – a potential solution to this would be to require the financial statements and disclosure statement to be two distinct reports.

We also recommend providing the option of reasonable assurance over the information relating to capital adequacy and regulatory liquidity requirements. We understand that some banks in Australia are opting to have their information relating to capital adequacy and regulatory liquidity requirements subject to reasonable assurance. So having this option would future proof the OICs should New Zealand move to adopt the same practice as Australia.

While we agree the changes being proposed are a significant step forward, in our view there are still some areas that could be further improved as follows (and as suggested in **Appendix B**):

- The requirement for the assurance report(s) to "be signed by the auditor, either in the auditor's own name or the name of the auditor's firm" is redundant as it is duplicated in the applicable auditing and assurance standards. (See [ISA \(NZ\) 700](#), Par. 47 and A64 and [NZ SRE 2410](#), Par. 33(n) and Appendix 3 footnotes 15, 20, 25, 30 and 35).
- The requirement for the assurance report(s) to contain the statement "that the auditor's responsibility is to express a reasonable/limited assurance opinion/conclusion" is redundant as it is duplicated in the applicable auditing and assurance standards. (See [ISA \(NZ\) 700](#), Par. 38(a)(i) and [NZ SRE 2410](#), Par. 33(f)).
- Further simplifications and alignment of terminology to enhance and promote consistency, particularly between clauses 1, 2 and 3 of Schedule 1.

### Question 1b: What types of reader do you expect to consider these reports?

We support evidenced-based policy making; therefore, we encourage the RBNZ to conduct research to (a) identify users; and (b) determine whether the information contained in disclosure statements, and assurance reports thereon, are meeting those users' needs. If no users outside the RBNZ are identified, then it may be that the data can be provided in a different form, for example through the Dashboard reporting.

**Question 2: Do you agree that the changes will reduce the cost of complying with the assurance requirements, for banks and their auditors?**

As there is no change to the nature or scope of the assurance engagements – the work effort required of auditors is likely to remain largely comparable. So, for auditors who already work in this area, we do not believe the proposals would result in a significant change to compliance costs. New auditors entering this market would need to spend less time trying to determine what is required of them for initial assurance engagements, and how it maps to their existing professional obligations under the NZAuASB standards, which is beneficial.

**Question 3: Do you agree that any transitional costs will be outweighed by the ongoing benefits thereafter?**

In our view any transitional costs are likely to be negligible. There is real benefit from clarifying what is required of auditors in relation to assurance over disclosure statements and describing these requirements with reference to the established assurance framework in New Zealand. For this reason, we believe the proposed changes will be well received.

# Appendix B

## Suggested drafting

### Extracts from: Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended)

#### 4 Interpretation

**auditing and assurance standard** means an auditing and assurance standard issued by the Board under [section 12](#) of the Financial Reporting Act 2013; and includes an amendment to an auditing and assurance standard that is issued by the Board.

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#### Part 1

#### General requirements for disclosure statements

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#### 7 Assurance requirements for full and half year disclosure statements

- (1) A full year disclosure statement of a registered bank must be subject to a reasonable assurance engagement, except the information relating to capital adequacy and regulatory liquidity requirements which may be subject to either a limited assurance engagement or a reasonable assurance engagement.
- (2) A half year disclosure statement of a registered bank must be subject to either a limited assurance engagement or a reasonable assurance engagement.
- (3) The assurance engagements must be carried out in accordance with applicable auditing and assurance standards.
- (4) The assurance report or reports must:
  - (a) address the matters specified in the applicable clause of Schedule 1; and
  - (b) comply with applicable auditing and assurance standards.

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#### Part 2

#### Content of disclosure statements

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#### Subpart 2—Content of disclosure statements

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#### 25A Assurance reports for full year disclosure statement

A full year disclosure statement of a registered bank must be accompanied by an assurance report or reports that address the matters prescribed in clause 1 of Schedule 1.

#### 25B Assurance reports for half year disclosure statement

- (1) Unless subclause (2) applies, the half year disclosure statement must be accompanied by an assurance report or reports that address the matters prescribed in clause 3 of Schedule 1.
- (2) The registered bank may opt to have its interim financial statements that are prepared in accordance with clause 25 audited as opposed to reviewed.
- (3) If subclause (2) applies, the half year disclosure statement must be accompanied by an assurance report or reports that address the matters prescribed in clause 2 of Schedule 1.

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## Schedule 1—Full year and half year

### Information in assurance reports

- 1 Assurance reports for full year disclosure statement
- 2 Assurance reports for half year disclosure statement when interim financial statements are audited
- 3 Assurance reports for half year disclosure statement when interim financial statements are reviewed

#### 1 Assurance reports for full year disclosure statement

- (1) An auditor's report, as required under the Financial Markets Conduct Act 2013, on the financial statements of the registered bank's banking group as required under clause 24 of Subpart 2.
- (2) A reasonable assurance report which states whether or not, in the auditor's opinion, the information that is required to be disclosed under Schedules 4, 7, 13, 14, 15 and 17,—
  - (a) has been prepared in accordance with guidelines issued under section 78(3) of the Act (if any) or any conditions of registration; and
  - (b) presents fairly, in all material respects, the matters to which it relates in accordance with those schedules and, if it does not, the respects in which it fails to do so.
- (3) For the information relating to capital adequacy and regulatory liquidity requirements that is required to be disclosed under Schedule 9 or Schedule 11, as applicable, either,—
  - (a) a limited assurance report which states whether or not anything has come to the auditor's attention which would cause the auditor to believe that the information is not in all material respects disclosed in accordance with the applicable Schedule; or
  - (b) a reasonable assurance report which states whether or not, in the auditor's opinion, the information presents fairly, in all material respects, the matters to which it relates in accordance with the applicable Schedule and, if it does not, the respects in which it fails to do so.

#### 2 Assurance reports for half year disclosure statement when interim financial statements are audited

- (1) An auditor's report on the interim financial statements of the registered bank's banking group as required under clause 25 of Subpart 2.
- (2) A reasonable assurance report which states whether or not, in the auditor's opinion, the information that is required to be disclosed under Schedules 5, 7, 13, 16 and 18,—
  - (a) has been prepared in accordance with guidelines issued under section 78(3) of the Act (if any) or any conditions of registration; and
  - (b) presents fairly, in all material respects, the matters to which it relates in accordance with those schedules and, if it does not, the respects in which it fails to do so.
- (3) For the information relating to capital adequacy and regulatory liquidity requirements that is required to be disclosed under Schedule 9 or Schedule 11, as applicable, either,—
  - (a) a limited assurance report which states whether or not anything has come to the auditor's attention which would cause the auditor to believe that the information is not, in all material respects, disclosed in accordance with the applicable Schedule; or
  - (b) a reasonable assurance report which states whether or not, in the auditor's opinion, the information presents fairly, in all material respects, the matters to which it relates in accordance with the applicable Schedule and, if it does not, the respects in which it fails to do so.

### **3 Assurance reports for half year disclosure statement when interim financial statements are reviewed**

- (1) A review report on the interim financial statements of the registered bank's banking group as required under clause 25 of Subpart 2.
- (2) A limited assurance report which states whether or not anything has come to the auditor's attention which would cause the auditor to believe that the information that is required to be disclosed under Schedules 5, 7, 13, 16 and 18,—
  - (a) has not been prepared in accordance with guidelines issued under section 78(3) of the Act (if any) or any conditions of registration; and
  - (b) does not present fairly, in all material respects, the matters to which it relates in accordance with those schedules.
- (3) A limited assurance report which states whether or not anything has come to the auditor's attention which would cause the auditor to believe that the information relating to capital adequacy and regulatory liquidity requirements that is required to be disclosed under Schedule 9 or Schedule 11, as applicable, is not, in all material respects, disclosed in accordance with the applicable Schedule.

# Appendix C

## About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand (CA ANZ) represents 131,673 financial professionals, supporting them to make a difference to the businesses, organisations and communities in which they work and live. Chartered Accountants are known as Difference Makers. The depth and breadth of their expertise helps them to see the big picture and chart the best course of action.

CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.

Our flagship CA Program, the pathway to becoming a Chartered Accountant, combines rigorous education with mentored practical experience. Ongoing professional development helps members shape business decisions and remain relevant in a changing world.

We actively engage with governments, regulators and standard-setters on behalf of members and the profession to advocate boldly in the public good. Our thought leadership promotes prosperity in Australia and New Zealand.

Our support of the profession extends to affiliations with international accounting organisations. We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance. Chartered Accountants Worldwide brings together members of 15 chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. CA ANZ is a founding member of the Global Accounting Alliance which is made up of 10 leading accounting bodies that together promote quality services, share information and collaborate on important international issues.

We have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents more than 870,000 current and next generation accounting professionals across 179 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications.

We employ more than 500 talented people across Australia, New Zealand, Singapore, Malaysia, Hong Kong and the United Kingdom.