



KPMG Centre  
18 Viaduct Harbour Avenue  
PO Box 1584  
Auckland 1140  
New Zealand  
Telephone +64 9 367 5800  
Fax +64 9 367 5875  
Internet [www.kpmg.com/nz](http://www.kpmg.com/nz)

Jeremy Richardson  
Reserve Bank of New Zealand,  
Financial System Policy and Analysis – Dynamic Policy,  
PO Box 2498,  
Wellington 6140

14 March 2022

Dear Jeremy

## **Consultation on Bank Disclosure Assurance Requirements January 2022**

Thank you for the opportunity to submit feedback in response to the proposed changes to the assurance reports required on registered banks' public disclosure statements.

KPMG New Zealand (**KPMG**) has considered the proposed changes and has the following comments in response to the specific questions. Our feedback applies to the proposed amendments to both the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 and the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (the **Orders**).

### Question 1:

Do you agree that the changes will make assurance reports on disclosure statements easier to navigate and more readable? What type of reader do you expect to consider these reports?

- We do not consider that the changes proposed by the RBNZ will have a significant impact on assurance reports themselves, rather that the changes will simplify the requirements and bring terminology up to date. We do believe it will assist understanding of the reports by aligning the terminology with the auditing standards where relevant.



— As auditors, our reports for general purpose financial statements will, in the majority of cases, be addressed to the shareholders of the relevant bank. However, we acknowledge that the financial statements may be used by a wider range of users, such as potential investors, lenders and stakeholder groups. Our report on the disclosure statement is prepared with this in mind, however, we are allowed to make certain assumptions about the users per ISA (NZ) 320 *Materiality in Planning and Performing an Audit*, paragraph 4 which states:

“The auditor’s determination of materiality is a matter of professional judgement, and is affected by the auditor’s perception of the financial information needs of users of the financial statements. In this context, it is reasonable for the auditor to assume that users:

(a) Have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information in the financial statements with reasonable diligence;

(b) Understand that financial statements are prepared, presented and audited to levels of materiality;

(c) Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and

(d) Make reasonable economic decisions on the basis of the information in the financial statements.”

Question 2:

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

— We do not expect any cost reductions from the proposed changes. Our reports for registered banks are currently templated to comply with the existing requirements, and so there is no significant additional cost to preparing an auditor’s report on bank disclosure statements vs. a normal set of general purpose financial statements.

Question 3:

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



- We except some minor transitional costs to update our templates and ensure our audit teams are aware of the changes but we do not except these to be significant.

Other feedback:

We have the following suggestions for further simplification of the requirements.

**1. References to conditions of registration:**

- a. Paragraph 4.2.4 and 4.2.5 of the consultation document refer to a statement required by subclause 2(1)(g) in Schedule 1 of both Orders. The consultation document currently suggests that the assurance report is/was providing assurance over compliance with conditions of registration and notices issued under section 78(3) of the RBNZ Act 1989 (the **Act**).
- b. Subclause 2(1)(g) refers to whether the information has been prepared in accordance with any guidelines issued under section 78(3) of the Act (if any) or any conditions of registration. It does not ask for an opinion about whether the bank has complied with those requirements. This is currently disclosed in our audit report as follows:

“In our opinion, the supplementary information (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements) that is required to be disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the ‘Order’) and is included within notes [x]:

- i. has been prepared in all material respects, in accordance with the guidelines issued pursuant to section 78(3) of the Reserve Bank of New Zealand Act 1989 and any conditions of registration;
  - ii. accordance with the books and records of the Bank in all material respects; and
  - iii. fairly states the matters to which it relates in accordance with those Schedules”
- c. The relevant schedules of the Orders specify where requirements are contained in conditions of registration, so compliance with the relevant disclosure requirements of the Order includes compliance with any associated disclosure requirements and/or definitions arising from the bank’s conditions of registration. Similarly, references to where s78(3) notices could affect disclosure requirements could be incorporated into the relevant schedule(s) of the Orders.

- d. This would allow the wording of the non-capital adequacy disclosure opinions to be aligned with the wording of the opinions on financial statements and capital adequacy. i.e. our report would state that:

“In our opinion, the supplementary information (excluding supplementary information relating to Capital Adequacy and Regulatory Liquidity Requirements) that is required to be disclosed in accordance with Schedules 4, 7, 13, 14, 15 and 17 of the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) (the ‘Order’) and is included within notes [x] has been prepared, in all material respects, in accordance with the Order.”

## 2. **Presentation of assurance reports:**

- a. Paragraphs 2.1.6 and 2.1.8 of the consultation document summarise the three separate opinions required.
- b. We suggest one way to improve clarity and prevent confusion from readers could be to split the report as follows:
- An auditor’s report and reasonable assurance opinion on the financial statements and the supplementary requirements of the Orders, excluding the information relating to Capital Adequacy and Regulatory Liquidity Requirements; and
  - A limited assurance report on the disclosures required by the Orders, in relation to Capital Adequacy and Regulatory Liquidity Requirements.

We don’t believe it is necessary to split the reasonable assurance on the disclosures required by the Orders, from the audit opinion as:

- both opinions are providing the same level of assurance; and
- This practice is consistent with other reporting currently in the market, a key example of which is reporting on statements of service performance.

We do believe it could be of use to users to split the limited assurance conclusions from the reasonable assurance opinions as this can cause confusion among users about the level of assurance being provided.

However, we are aware that market participants would prefer flexibility in their reporting and assurance requirements, to be able to align assurance reports (and opinions) with their financial and regulatory reporting i.e. flexibility on how and when they choose to present their financial statements and the additional disclosures required by the Orders, and as auditors we would be comfortable to align with the approach that works best for both users and the registered banks.



**RBNZ**

*Consultation on Bank Disclosure Assurance Requirements January 2022*  
14 March 2022

If you have any comments or would like to discuss the matter further, please contact s9(2)(a) - protect individual privacy

Yours faithfully

s9(2)(a) - protect individual privacy