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PwC submission on the consultation paper – Assurance Reports on Bank Disclosure Statements (January 2022)

Dear Jeremy

Thank you for the opportunity to submit our view on the abovementioned consultation. We trust that our comments will be helpful to the Reserve Bank of New Zealand (the “Reserve Bank”).

PwC New Zealand¹ is part of the global network of PwC firms. Our firm has extensive experience across a range of professional services that are valued by a wide variety of entities and individuals that participate in capital markets and investment activities in New Zealand. In responding to this consultation, we draw on our areas of expertise as Chartered Accountants providing assurance and other related services.


PwC New Zealand is the external auditor of a number of banks in New Zealand. Chris Barber (a Partner of PwC New Zealand) on behalf of the Auditor-General, is also the external auditor of the Reserve Bank.

We understand our letter is subject to the Official Information Act 1982, and we have no objection to the release of any information contained in our letter, or its publication on the Reserve Bank’s website.

If you have any queries in relation to this letter, please do not hesitate to contact me.

Yours faithfully

s9(2)(a) - protect individual privacy

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¹ This response is being filed on behalf of PwC New Zealand, a separate legal entity within the network of member firms of PricewaterhouseCoopers Limited. References to “PwC”, “we” and “our” refer to PwC New Zealand.



Appendix – Our submissions

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

We support the proposed changes to the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended) and the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (together, the “Orders”) as outlined in the respective draft Amendment Orders included in the consultation.

The proposed changes ensure alignment and consistency with the equivalent assurance reports of non-bank entities in New Zealand. They will also provide for greater ease of comparability and consistency with banks in overseas jurisdictions. Please refer to our other feedback on the proposals below.

We expect the readers of these assurance reports to have a reasonable knowledge of business and economic activities. These include the Reserve Bank, investors, market participants and other stakeholders.

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 believe that the changes will reduce the cost of complying with the assurance requirements. We believe the changes will have minimal impact on costs for banks and their auditors.

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

We concur that any transitional costs (which we consider to be minimal) will be outweighed by the ongoing benefits as a result of the proposed changes.

Other feedback on the proposal:

Overall, we are supportive of the proposed changes which will enable the assurance reports to provide information that is transparent and easily digestible for capital market participants and other stakeholders. In addition, we would like to make the following suggestions:

a) Half year disclosure statement limited assurance reports

The proposed wording in Clause 3 of Schedule 1 of the Orders emphasises a single limited assurance report. This is consistent with the current practice where the auditors of registered banks prepare one single limited assurance report under the New Zealand Standard on Review Engagements 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* (“NZ SRE 2410 (Revised)”).

To allow consistency with other jurisdictions, we are discussing with other auditors whether the limited assurance engagements on the subject matters of capital adequacy and regulatory liquidity requirements (for locally incorporated banks), and credit and market risk exposures and capital adequacy (for overseas incorporated banks) should continue to be reported under NZ SRE 2410 (Revised), or whether another assurance standard that provides limited assurance may be more appropriate such as International Standard on Assurance Engagements (New Zealand) 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (“ISAE (NZ) 3000 (Revised)”). If it is determined another limited assurance standard, ISAE (NZ) 3000 (Revised) for example is more appropriate, two separate assurance reports would be required to be issued for the half year disclosure statements. It would not be feasible or advisable to combine differing reports under two assurance engagement standards into one assurance report.



For this reason, we propose that the wording in Clause 3 of Schedule 1 of the Orders be amended to allow for the possibility that more than one limited assurance report may be issued.

Any consequential changes in the assurance engagement standards for the above subject matters would have no impact on the proposed wording in the Orders for the year end assurance reports.

b) Year end disclosure statement limited assurance report

The proposed wording in Clause 1 of Schedule 1 of the Orders only allows for an auditor in the year end disclosure statement to provide a limited assurance report on the subject matters of capital adequacy and regulatory liquidity requirements (for locally incorporated banks) and credit and market risk exposures and capital adequacy (for overseas incorporated banks).

We are aware some banks in other jurisdictions have been engaging with their external auditor to perform a reasonable assurance engagement on certain aspects of the above subject matters (for example, capital adequacy). If any New Zealand registered bank in the future were to choose to have their auditor perform a reasonable assurance engagement on the above subject matters, the current proposed wording of the Order would not allow for this option, as it only allows a limited assurance report to be issued.

For this reason, we would like to propose the wording in Clause 1 of Schedule 1 of the Orders is amended to allow for the possibility of a reasonable assurance report being provided on the above subject matters.

c) Other wording amendments

Please find below our proposed wording amendments and rationale for these proposed changes for Schedule 1 of the Orders. We have provided comments in respect of the Orders for locally incorporated banks, however, the same comments will equally apply for the equivalent clauses for the Orders in respect of overseas incorporated banks.

Relevant clause(s)	Rationale for proposed change
Clause 1(1)(b) <i>states whether or not, in the auditor's opinion (where applicable), the information that is required to be disclosed in the full year disclosure statement under Schedules 4, 7, 13, 14, 15 and 17:</i> (i) <i>has been prepared, in all material respects, in accordance with guidelines issued under section 78(3) of the Act (if any), or any conditions of registration,</i> (ii) and fairly states, in all material respects, the matters to which it relates in accordance with those schedules. Equivalent changes apply to clauses 2(1)(b)	To align wording with ISA 700 (Revised) for audit reports and to combine with clause 1(1)(c)
Clause 1(1)(c) and clause 2(1)(c)	Remove to combine with clause 1(1)(b) and clause 2(1)(b) above



Relevant clause(s)	Rationale for proposed change
Clause 1(2)(a)(ii) Clause 1(2)(b)(ii) Clause 2(2)(a)(ii) Clause 2(2)(b)(ii) Clause 3(1)(b) Clause 3(1)(c) Clause 3(1)(d) <i>whether or not anything has come to the auditor's attention that which would causes the auditor to believe...</i>	To align wording with NZ SRE 2410 (Revised) for review reports
Clause 3(1)(c) <i>... does not fairly state, in all material respects, the matters...</i>	To align wording with NZ SRE 2410(Revised) for review reports