

10 August 2015

NZ Auditing and Assurance Standards Board (NZAuASB)  
External Reporting Board  
PO Box 11250  
Manners Street Central  
Wellington 6142

By email: [submissions@xrb.govt.nz](mailto:submissions@xrb.govt.nz)

Dear NZAuASB

## Exposure Draft NZAuASB 2015-2, and directors' responsibilities

Thank you for the opportunity to provide comment about proposed changes to auditing standards as set out in the [Exposure Draft NZAuASB 2015-2](#) (ED). The changes aim to clarify that those charged with governance have responsibility for ensuring that financial statements are prepared for an entity.

We agree with the NZAuASB that, notwithstanding a recent amendment to the Companies Act, directors (i.e. those charged with governance) are ultimately responsible for ensuring the preparation of financial statements.

This responsibility is integral to good corporate governance practice and is captured in statutory duties and liabilities of directors. In particular [section 128](#) of the Companies Act provides that the business and affairs of a company must be managed by, or under the supervision, of the board of the company. This would include the preparation of financial statements.

This is a fundamental responsibility for directors and the IoD supports the proposed amendments to auditing standards to ensure there is clarity about this.

## About the Institute of Directors

The IoD is a non-partisan voluntary membership organisation committed to raising governance standards in New Zealand. We represent a diverse membership of about 7,000 members drawn from NZX-listed corporations, unlisted companies, private companies, small to medium enterprises, public sector organisations, not-for-profits and charities. Our chartered membership pathway aims to raise the bar for director professionalism in New Zealand, including through continuing professional development to support good corporate governance.

## Comments on proposed changes to clarify directors' responsibilities

The Financial Reporting Act 2013 amended the Companies Act 1993 and [section 201](#) states that the *company* must ensure financial statements are prepared. Previously, [section 10](#) of the Financial Reporting Act 1993 stated that *directors* must ensure financial statements were prepared.

Auditing standards generally refer to responsibility for the preparation of an entity's financial statements resting with those charged with governance.

In the ED the NZAuASB sets out why it is of the view that directors continue to have responsibility for ensuring that compliant financial statements are prepared.

The IoD shares this view. The responsibility for the governance of a company lies with directors who are responsible for the running of the company and ensuring compliance with legal obligations.

The proposed amendments to auditing standards, the illustrative engagement letter, representation letter and auditor's report provide clarity about where responsibility rests. The IoD supports these changes.

## Conclusion

The IoD welcomes the NZAuASB's updating of auditing standards to restate and clarify that responsibility for ensuring the preparation of financial statements rests with directors and those charged with governance.

We appreciate the opportunity to make a submission on behalf of IoD members.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Simon Arcus', written in a cursive style.

Simon Arcus  
Chief Executive  
Institute of Directors in New Zealand