

*The purpose of this document is to clearly indicate all changes made to the International Standard on Auditing when developing the International Standard on Auditing (New Zealand) equivalent. Amended paragraphs are shown with new text underlined and deleted text struck through.*

*This document has been prepared by staff for information purposes only.*

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## Introduction

### Scope of this ISA (NZ)

1. This International Standard on Auditing (New Zealand) (ISA (NZ)) deals with the auditor's responsibilities relating to other information in documents containing audited financial statements and the auditor's report thereon. In the absence of any separate requirement in the particular circumstances of the engagement, the auditor's opinion does not cover other information and the auditor has no specific responsibility for determining whether or not other information is properly stated. However, the auditor reads the other information because the credibility of the audited financial statements may be undermined by material inconsistencies between the audited financial statements and other information. (Ref: Para. A1)
2. In this ISA (NZ) "documents containing audited financial statements" refers to annual reports (or similar documents), that are issued to owners (or similar stakeholders), containing audited financial statements and the auditor's report thereon. This ISA (NZ) may also be applied, adapted as necessary in the circumstances, to other documents containing audited financial statements, such as those used in securities offerings.<sup>1</sup> (Ref: Para. A2)

### Effective Date

3. This ISA (NZ) is effective for audits of financial statements for periods beginning on or after 1 September, 2011.

### Objective

4. The objective of the auditor is to respond appropriately when documents containing audited financial statements and the auditor's report thereon include other information that could undermine the credibility of those financial statements and the auditor's report.

### Definitions

5. For purposes of the ISAs (NZ) the following terms have the meanings attributed below:
  - (a) Other information – Financial and non-financial information (other than the financial statements and the auditor's report thereon) which is included, either by law, regulation or custom, in a document containing audited financial statements and the auditor's report thereon. (Ref: Para. A3-A4)
  - (b) Inconsistency – Other information that contradicts information contained in the audited financial statements. A material inconsistency may raise doubt about the audit conclusions drawn from audit evidence previously obtained and, possibly, about the basis for the auditor's opinion on the financial statements.
  - (c) Misstatement of fact – Other information that is unrelated to matters appearing in the audited financial statements that is incorrectly stated or presented. A material misstatement of fact may undermine the credibility of the document containing audited financial statements.

<sup>1</sup> See ISA (NZ) 200, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (New Zealand)," paragraph 2.

## Requirements

### Reading Other Information

6. The auditor shall read the other information to identify material inconsistencies, if any, with the audited financial statements.
7. The auditor shall make appropriate arrangements with management or those charged with governance to obtain the other information prior to the date of the auditor's report. If it is not possible to obtain all the other information prior to the date of the auditor's report, the auditor shall read such other information as soon as practicable. (Ref: Para. A5)

### Material Inconsistencies

8. If, on reading the other information, the auditor identifies a material inconsistency, the auditor shall determine whether the audited financial statements or the other information needs to be revised.

#### *Material Inconsistencies Identified in Other Information Obtained Prior to the Date of the Auditor's Report*

9. If revision of the audited financial statements is necessary and ~~management refuses~~ those charged with governance refuse to make the revision, the auditor shall modify the opinion in the auditor's report in accordance with ISA (NZ) 705.<sup>2</sup>
10. If revision of the other information is necessary and those charged with governance refuse to make the revision, the auditor shall:
  - (a) Include in the auditor's report an Other Matter(s) paragraph describing the material inconsistency in accordance with ISA (NZ) 706;<sup>3</sup> or
  - (b) Withhold the auditor's report, or
  - (c) Withdraw from the engagement, where withdrawal is possible under applicable law or regulation. (Ref: Para. A6-A7)

#### *Material Inconsistencies Identified in Other Information Obtained Subsequent to the Date of the Auditor's Report*

11. If revision of the audited financial statements is necessary, the auditor shall follow the relevant requirements in ISA (NZ) 560.<sup>4</sup>
12. If revision of the other information is necessary and those charged with governance agree to make the revision, the auditor shall carry out the procedures necessary under the circumstances. (Ref: Para. A8)
13. If revision of the other information is necessary, but those charged with governance refuse to make the revision, the auditor shall take appropriate action. (Ref: Para. A9)

<sup>2</sup> ISA (NZ) 705, "Modifications to the Opinion in the Independent Auditor's Report."

<sup>3</sup> ISA (NZ) 706, "Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report," paragraph 8.

<sup>4</sup> ISA (NZ) 560, "Subsequent Events," paragraphs 10 – 17.

## Material Misstatements of Fact

14. If, on reading the other information for the purpose of identifying material inconsistencies, the auditor becomes aware of an apparent material misstatement of fact, the auditor shall discuss the matter with ~~management~~those charged with governance. (Ref: Para. A10)
15. If, following such discussions, the auditor still considers that there is an apparent material misstatement of fact, the auditor shall request ~~management~~those charged with governance to consult with a qualified third party, such as the entity's legal counsel, and the auditor shall consider the advice received.
16. If the auditor concludes that there is a material misstatement of fact in the other information which those charged with governance refuse to correct, the auditor shall take appropriate action. (Ref: Para. A11)

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## Application and Other Explanatory Material

### Scope of this ISA (NZ)

*Additional Responsibilities, through Statutory or Other Regulatory Requirements, in Relation to Other Information* (Ref: Para. 1)

- A1. The auditor may have additional responsibilities, through statutory or other regulatory requirements, in relation to other information that are beyond the scope of this ISA (NZ). For example, some jurisdictions may require the auditor to apply specific procedures to certain of the other information such as required supplementary data or to express an opinion on the reliability of performance indicators described in the other information. Where there are such obligations, the auditor's additional responsibilities are determined by the nature of the engagement and by law, regulation and professional standards. If such other information is omitted or contains deficiencies, the auditor may be required by law or regulation to refer to the matter in the auditor's report.

*Documents Containing Audited Financial Statements* (Ref: Para. 2)

### Considerations Specific to Smaller Entities

- A2. Unless required by law or regulation, smaller entities are less likely to issue documents containing audited financial statements. However, an example of such a document would be where a legal requirement exists for an accompanying report by those charged with governance. Examples of other information that may be included in a document containing the audited financial statements of a smaller entity are a detailed income statement and a management report.

### Definition of Other Information

 (Ref: Para. 5(a))

- A3. Other information may comprise, for example:
  - A report by management or those charged with governance on operations.
  - Financial summaries or highlights.
  - Employment data.

- Planned capital expenditures.
- Financial ratios.
- Names of officers and directors.
- Selected quarterly data.

A4. For purposes of the ISAs (NZ), other information does not encompass, for example:

- A press release or a transmittal memorandum, such as a covering letter, accompanying the document containing audited financial statements and the auditor's report thereon.
- Information contained in analyst briefings.
- Information contained on the entity's web site.

#### **Reading Other Information** (Ref: Para. 7)

A5. Obtaining the other information prior to the date of the auditor's report enables the auditor to resolve possible material inconsistencies and apparent material misstatements of fact with management or those charged with governance on a timely basis. An agreement as to when the other information will be available may be helpful.

#### **Material Inconsistencies**

*Material Inconsistencies Identified in Other Information Obtained Prior to the Date of the Auditor's Report* (Ref: Para. 10)

A6. When those charged with governance refuse to revise the other information, the auditor may base any decision on what further action to take on advice from the auditor's legal counsel.

#### Considerations Specific to Public Sector Entities

A7. In the public sector, withdrawal from the engagement or withholding the auditor's report may not be options. In such cases, the auditor may issue a report to the appropriate statutory body giving details of the inconsistency.

*Material Inconsistencies Identified in Other Information Obtained Subsequent to the Date of the Auditor's Report* (Ref: Para. 12-13)

A8. When ~~management agrees~~ those charged with governance agree to revise the other information, the auditor's procedures may include reviewing the steps taken by ~~management~~ those charged with governance to ensure that individuals in receipt of the previously issued financial statements, the auditor's report thereon, and the other information are informed of the revision.

A9. When ~~management refuses~~ those charged with governance refuse to make the revision of such other information that the auditor concludes is necessary, appropriate further actions by the auditor may include obtaining advice from the auditor's legal counsel.

#### **Material Misstatements of Fact** (Ref: Para. 14-16)

A10. When discussing an apparent material misstatement of fact with ~~management~~ those charged with governance, the auditor may not be able to evaluate the validity of some disclosures

included within the other information and ~~management's~~ responses to the auditor's ~~inquiries~~enquiries, and may conclude that valid differences of ~~judgment~~judgement or opinion exist.

- A11. When the auditor concludes that there is a material misstatement of fact that ~~management~~refuses those charged with governance refuse to correct, appropriate further actions by the auditor may include obtaining advice from the auditor's legal counsel.

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