

CONFORMING AMENDMENTS TO AUDITING AND ASSURANCE STANDARDS AS A RESULT OF THE REVISED PROFESSIONAL AND ETHICAL STANDARD 1

This Standard was issued on 11 June 2020 by the New Zealand Auditing and Assurance Standards Board of the External Reporting Board pursuant to section 12(b) of the Financial Reporting Act 2013.

This Standard is a disallowable instrument for the purposes of the Legislation Act 2012, and pursuant to section 27(1) of the Financial Reporting Act 2013 takes effect on 9 July 2020.

The amendments in this Standard are effective on 15 July 2020.

In finalising this Standard, the New Zealand Auditing and Assurance Standards Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

This Standard has been issued to address the implications of the revised Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*, on the NZAuASB's standards.

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Conforming Amendments to Auditing and Assurance Standards as a Result of the Revised Professional and Ethical Standard 1

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A: INTRODUCTION

This document sets out amendments to the NZAuASB's auditing and assurance standards, including professional and ethical standards, and various guidance documents as a result of the issuance of Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*

Amended paragraphs are shown with new text underlined and deleted text struck through.

The footnote numbers within these amendments do not align with the actual footnote numbers of the standards that will be amended, and reference should be made to those compiled standards.

B: Conforming Amendments to Auditing and Assurance Standards as a result of the revised Professional and Ethical Standard 1

B.1 Professional and Ethical Standard 3 (Amended) Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements

- NZ12.9 Relevant ethical requirements – Ethical requirements to which the engagement team and engagement quality control reviewer are subject when undertaking audits or reviews of financial statements, or other assurance engagements, which ordinarily comprise the provisions of Professional and Ethical Standard 1 (Revised) International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand), and other applicable law or regulation.
21. The firm shall establish policies and procedures designed to provide it with reasonable assurance that the firm, its personnel and, where applicable, others subject to independence requirements (including network firm personnel) maintain independence where required by relevant ethical requirements. Such policies and procedures shall enable the firm to: (Ref: Para. A10)
- (a) Communicate its independence requirements to its personnel and, where applicable, others subject to them; and
 - (b) ~~Identify and evaluate circumstances and relationships that create threats to independence, evaluate whether the identified threats are at an acceptable level, and if not address them by eliminating the circumstances that create the threats, applying safeguards to reduce threats to an acceptable level, or withdrawing from the engagement, and to take appropriate action to eliminate those threats or reduce them to an acceptable level by applying safeguards, or, if considered appropriate, to withdraw from the engagement,~~ where withdrawal is possible under applicable law or regulation.
22. Such policies and procedures shall require: (Ref: Para. A10)
- (a) Engagement partners to provide the firm with relevant information about client engagements, including the scope of services, to enable the firm to evaluate the overall impact, if any, on independence requirements;
 - (b) Personnel to promptly notify the firm of circumstances and relationships that create a threats to independence so that appropriate action can be taken; and
 - (c) The accumulation and communication of relevant information to appropriate personnel so that:
 - (i) The firm and its personnel can readily determine whether they satisfy independence requirements;
 - (ii) The firm can maintain and update its records relating to independence; and
 - (iii) The firm can take appropriate action regarding identified threats to independence that are not at an acceptable level.

25. The firm shall establish policies and procedures: (Ref: Para A10)
- (a) Setting out criteria for determining the need to eliminate the circumstances that create a threat of long association with an entity to an acceptable level, for safeguards to reduce the familiarity threat to an acceptable level when using the same senior personnel on an assurance engagement over a long period of time or criteria for applying safeguards to reduce the threat; and (Ref: Para. A14)
 - (b) Requiring, for audits of financial statements of public interest entities, the rotation of the key assurance partner, and where applicable, others subject to rotation requirements, after a specified period in compliance with relevant ethical requirements. (Ref: Para. A12-A17)

A7. Professional and Ethical Standard 1 (~~Revised~~) establishes the fundamental principles of ~~professional~~ ethics, which are include:

- (a) Integrity;
- (b) Objectivity;
- (c) Professional competence and due care;
- (d) Confidentiality; and
- (e) Professional behaviour.

The fundamental principles of ethics establish the standard of behaviour expected of an assurance practitioner.

A8. ~~Part B of Professional and Ethical Standard 1 (Revised) illustrates how the conceptual framework is to be applied in specific situations. It provides examples of safeguards that may be appropriate to address threats to compliance with the fundamental principles and also provides examples of situations where safeguards are not available to address the threats.~~ Professional and Ethical Standard 1 provides a conceptual framework that establishes the approach which an assurance practitioner is required to apply when identifying, evaluating and addressing threats to compliance with the fundamental principles. In the case of audits, reviews and other assurance engagements, Professional and Ethical Standard 1 sets out *International Independence Standards (New Zealand)* established by the application of the conceptual framework to threats to independence in relation to those engagements.

A9. The fundamental principles are reinforced in particular by:

- The leadership of the firm;
- Education and training;
- Monitoring; and
- A process for dealing with breaches non-compliance.

Definition of “Firm,” “Network” and “Network Firm” (Ref: Para. 20-25)

A10. The definitions of “firm,” “network” or “network firm” in relevant ethical requirements may differ from those set out in this Professional and Ethical Standard. For example, Professional and Ethical Standard 1 (~~Revised~~) defines the “firm” as:

- (i) A sole practitioner, partnership or corporation undertaking assurance engagements;
- (ii) An entity that controls such parties, through ownership, management or other means; and
- (iii) An entity controlled by such parties, through ownership, management or other means.

Professional and Ethical Standard 1 (~~Revised~~) also provides guidance in relation to the terms “network” and “network firm.”

In complying with the requirements in paragraphs 20-25, the definitions used in the relevant ethical requirements apply in so far as is necessary to interpret those ethical requirements.

Written Confirmation (Ref: Para. 24)

A11. Written confirmation may be in paper or electronic form. By obtaining confirmation and taking appropriate action on information indicating a breach ~~non-compliance~~, the firm demonstrates the importance that it attaches to independence and makes the issue current for, and visible to, its personnel.

~~Familiarity Threat~~ Long Association with an Entity (Ref: Para. 25)

A12. Professional and Ethical Standard 1 (~~Revised~~) discusses the ~~familiarity~~ threat that may be created as a result of an individual’s long association with:

- The entity and its operations;
- The entity’s senior management; or
- The underlying subject matter and subject matter information of the assurance engagement. ~~by using the same senior personnel on an assurance engagement over a long period of time and the safeguards that might be appropriate to address such threats.~~

A13. Professional and Ethical Standard 1 includes examples of factors that are relevant to evaluating the level of a threat that may arise when an individual is involved in an assurance engagement over a long period of time. Professional and Ethical Standard 1 also provides examples of actions to address threats, including:

- Eliminating the threat, by rotating the individual off the engagement team; or
- Applying safeguards to reduce the threat to an acceptable level, for example by performing regular independent internal or external quality reviews of the engagement.
- ~~Determining appropriate criteria to address familiarity threat may include matters such as:~~
- ~~The nature of the engagement, including the extent to which it involves a matter of public interest; and~~
- ~~The length of service of the senior personnel on the engagement.~~

~~Examples of safeguards include rotating the senior personnel or requiring an engagement quality control review.~~

NZA14.1 Professional and Ethical Standard 1 ~~(Revised)~~ recognises that the familiarity threat is particularly relevant in the context of financial statement audits of public interest entities. For these audits, Professional and Ethical Standard 1 ~~(Revised)~~ requires the rotation of the key audit partner¹ after a pre-defined period, normally no more than seven years, and provides related standards and guidance².

Confidentiality, Safe Custody, Integrity, Accessibility and Retrievability of Engagement Documentation (Ref: Para. 46)

A56. Relevant ethical requirements establish an obligation for the firm’s personnel to observe at all times the confidentiality of information contained in engagement documentation, unless specific client authority has been given to disclose information, or there are responsibilities under law, regulation or relevant ethical requirements to do so.³ Specific laws or regulations may impose additional obligations on the firm’s personnel to maintain client confidentiality, particularly where data of a personal nature are concerned.

B.2 ISA (NZ) 200 Overall Objective of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (New Zealand)

Ethical Requirements Relating to an Audit of Financial Statements (Ref: Para. 14)

A16. The auditor is subject to relevant ethical requirements, including those pertaining to independence, relating to financial statement audit engagements. Relevant ethical requirements ordinarily comprise the provisions of Professional and Ethical Standard 1 ~~(Revised)~~⁴ related to an audit of financial statements.

A17. Professional and Ethical Standard 1 ~~(Revised)~~ establishes the fundamental principles of professional ethics, ~~which are: relevant to the auditor when conducting an audit of financial statements and provides a conceptual framework for applying those principles. The fundamental principles with which the auditor is required to comply by Professional and Ethical Standard 1 (Revised) are:~~

- (a) Integrity;
- (b) Objectivity;
- (c) Professional competence and due care;
- (d) Confidentiality; and

¹ Professional and Ethical Standard 1 ~~(Revised)~~, Definitions-

² ~~Paragraph 290.151 of Professional and Ethical Standard 1, section 540, *Long Association of Personnel (including Partner Rotation) with an Audit or Review Client* (Revised)~~

³ See, for example, paragraphs R114.1, 114.1 A1 and R360.26~~Section 140.7 and Section 225.35~~ of Professional and Ethical Standard 1 ~~(Revised)~~.

⁴ Professional and Ethical Standard 1 ~~(Revised)~~, *“International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (Compiled)”*.

(e) Professional Behaviour.

~~Part B of Professional and Ethical Standard 1 (Revised) illustrates how the conceptual framework is to be applied in specific situations. The fundamental principles of ethics establish the standard of behaviour expected of an assurance practitioner.~~

Professional and Ethical Standard 1 provides a conceptual framework that establishes the approach which an assurance practitioner is required to apply when identifying, evaluating and addressing threats to compliance with the fundamental principles. In the case of audits, reviews and other assurance engagements, Professional and Ethical Standard 1 sets out *International Independence Standards (New Zealand)* established by the application of the conceptual framework to threats to independence in relation to those engagements.

- A18. In the case of an audit engagement it is in the public interest and, therefore, required by Professional and Ethical Standard 1 ~~(Revised)~~, that the auditor be independent of the entity subject to the audit. Professional and Ethical Standard 1 ~~(Revised)~~ describes independence as comprising both independence of mind and independence in appearance. The auditor's independence from the entity safeguards the auditor's ability to form an audit opinion without being affected by influences that might compromise that opinion. Independence enhances the auditor's ability to act with integrity, to be objective and to maintain an attitude of professional scepticism.
- A19. Professional and Ethical Standard 3 (Amended),⁵ deals with the firm's responsibilities to establish and maintain its system of quality control for audit engagements. Professional and Ethical Standard 3 (Amended) sets out the responsibilities of the firm for establishing policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply with relevant ethical requirements, including those pertaining to independence.⁶ ISA (NZ) 220 sets out the engagement partner's responsibilities with respect to relevant ethical requirements. These include remaining alert, through observation and making enquiries as necessary, for evidence of breaches of non-compliance with relevant ethical requirements by members of the engagement team, determining the appropriate action if matters come to the engagement partner's attention that indicate that members of the engagement team have breached not-complied with relevant ethical requirements, and forming a conclusion on compliance with independence requirements that apply to the audit engagement.⁷ ISA (NZ) 220 recognises that the engagement team is entitled to rely on a firm's system of quality control in meeting its responsibilities with respect to quality control procedures applicable to the individual audit engagement, unless information provided by the firm or other parties suggests otherwise.

⁵ Professional and Ethical Standard 3 (Amended), "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements".

⁶ Professional and Ethical Standard 3 (Amended), paragraphs 20-25.

⁷ ISA (NZ) 220, "Quality Control for an Audit of Financial Statements," paragraphs 9-12.

B.3 ISA (NZ) 210 Agreeing the Terms of Audit Engagements

NZ21.1 Professional and Ethical Standard 1-(~~Revised~~),⁸ requires assurance practitioners to comply with Auditing Standards; therefore auditors shall not sign an audit report that does not conform to the requirements of this ISA (NZ). In the extremely rare situation described in paragraph 21, the auditor shall attach a separate report that conforms to the requirements of this ISA (NZ).

B.4 ISA (NZ) 220 Quality Control for an Audit of Financial Statements

7. For purposes of the ISAs (NZ), the following terms have the meanings attributed below:
 - (n) Relevant ethical requirements – Ethical requirements to which the engagement team and engagement quality control reviewer are subject when undertaking an audit engagement, which ordinarily comprise the provisions of Professional and Ethical Standard 1-(~~Revised~~)⁹ *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board related to an audit of financial statements.
- 9 Throughout the audit engagement, the engagement partner shall remain alert, through observation and making enquiries as necessary, for evidence of breaches of non-compliance with relevant ethical requirements by members of the engagement team. (Ref: Para. A4-A5)
10. If matters come to the engagement partner’s attention through the firm’s system of quality control or otherwise that indicate that members of the engagement team have breached not complied with relevant ethical requirements, the engagement partner, in consultation with others in the firm, shall determine the appropriate action. (Ref: Para. A5)
11. The engagement partner shall form a conclusion on compliance with independence requirements that apply to the audit engagement. In doing so, the engagement partner shall: (Ref; Para. A5)
 - (a) Obtain relevant information from the firm and, where applicable, network firms, to identify and evaluate ~~circumstances and relationships that create~~ threats to independence;
 - (b) Evaluate information on identified breaches, if any, of the firm’s independence policies and procedures to determine whether they create a threat to independence for the audit engagement; ~~and~~
 - (c) Evaluate whether the identified threats are at an acceptable level; and
 - (~~d~~e) Take appropriate action to address the threats that are not at an acceptable level by eliminating the circumstances that create the threats, applying safeguards to reduce threats to an acceptable level, or withdrawing eliminate such threats or reduce them

⁸ Professional and Ethical Standard 1-(~~Revised~~), “*International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*-(~~Compiled~~)”.

⁹ Professional and Ethical Standard 1-(~~Revised~~), “*International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*”.

~~to an acceptable level by applying safeguards, or, if considered appropriate, to withdraw~~ from the audit engagement, where withdrawal is possible under applicable law or regulation. The engagement partner shall promptly report to the firm any inability to resolve the matter for appropriate action. (Ref: Para. A6-A7)

A4. Professional and Ethical Standard 1-~~(Revised)~~ establishes the fundamental principles of ethics, which include:

- (a) Integrity;
- (b) Objectivity;
- (c) Professional competence and due care;
- (d) Confidentiality; and
- (e) Professional behaviour.

The fundamental principles of ethics establish the standard of behaviour expected of an assurance practitioner.

Definition of “Firm,” “Network” and “Network Firm” (Ref: Para. 9-11)

A5. The definitions of “firm,” “network” or “network firm” in relevant ethical requirements may differ from those set out in this ISA (NZ). For example, Professional and Ethical Standard 1-~~(Revised)~~ defines the “firm” as:

- (a) A sole practitioner, partnership or corporation undertaking assurance engagements;
- (b) An entity that controls such parties, through ownership, management or other means; and
- (c) An entity controlled by such parties, through ownership, management or other means.

Professional and Ethical Standard 1-~~(Revised)~~ also provides guidance in relation to the terms “network” and “network firm.”

In complying with the requirements in paragraphs 9-11, the definitions used in the relevant ethical requirements apply in so far as is necessary to interpret those ethical requirements.

A6. The engagement partner may identify a threat to independence regarding the audit engagement that ~~safeguards may not be at able to eliminate or reduce~~ to an acceptable level. In that case, as required by paragraph 11(de), the engagement partner reports to the relevant person(s) within the firm to determine the appropriate action, which may include eliminating the circumstance that creates activity or interest that creates the threat, applying safeguards to reduce the threat to an acceptable level or withdrawing from the audit engagement, where withdrawal is possible under applicable law or regulation.

A9. Law, regulation, or relevant ethical requirements¹⁰ may require the auditor to request, prior to accepting the engagement, the predecessor auditor to provide known information regarding any facts or circumstances that, in the predecessor auditor’s judgement, the auditor needs to be aware of before deciding whether to accept the engagement. In some circumstances, the predecessor auditor may be required, on request by the proposed

¹⁰ See, for example, paragraph R320.8 Section 240.14 of Professional and Ethical Standard 1-~~(Revised)~~.

successor auditor, to provide information regarding identified or suspected non-compliance with laws and regulations to the proposed successor auditor. For example, where the predecessor auditor has withdrawn from the engagement as a result of identified or suspected non-compliance with laws and regulations, Professional and Ethical Standard 1 (~~Revised~~) requires that the predecessor auditor, on request by a proposed successor auditor, provides all such facts and other information concerning such non-compliance that, in the predecessor auditor's opinion, the proposed successor auditor needs to be aware of before deciding whether to accept the audit appointment.¹¹

B.5 ISA (NZ) 240 The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A6. Law, regulation or relevant ethical requirements may require the auditor to perform additional procedures and take further actions. For example, Professional and Ethical Standard 1 (~~Revised~~), *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*, requires the auditor to take steps to respond to identified or suspected non-compliance with laws and regulations and determine whether further action is needed. Such steps may include the communication of identified or suspected non-compliance with laws and regulations to other auditors within a group, including a group engagement partner, component auditors or other auditors performing work at components of a group for purposes other than the audit of the group financial statements.¹²

A57. The auditor has professional and legal responsibilities in such circumstances and these responsibilities may vary. In some cases, for example, the auditor may be entitled to, or required to, make a statement or report to the person or persons who made the audit appointment or, in some cases, to regulatory authorities. Given the exceptional nature of the circumstances and the need to consider the legal requirements, the auditor may consider it appropriate to seek legal advice when deciding whether to withdraw from an engagement and in determining an appropriate course of action, including the possibility of reporting to shareholders, regulators or others.¹³

B.6 ISA (NZ) 250 Consideration of Laws and Regulations in an Audit of Financial Statements

A8. Law, regulation or relevant ethical requirements may require the auditor to perform additional procedures and take further actions. For example, Professional and Ethical Standard 1 (~~Revised~~), *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*, requires the auditor to take steps to respond to identified or suspected non-compliance with laws and regulations and

¹¹ See, for example, paragraphs R360.22 and R360.23 ~~Section 225.34~~ of Professional and Ethical Standard 1 (~~Revised~~).

¹² See, for example, paragraphs NZ R360.16.1-360.18 A1 ~~Sections NZ225.21.1 NZ225.22.1~~ of Professional and Ethical Standard 1 (~~Revised~~).

¹³ Professional and Ethical Standard 1 (~~Revised~~) provides guidance on communications with an auditor replacing the existing auditor.

determine whether further action is needed. Such steps may include the communication of identified or suspected non-compliance with laws and regulations to other auditors within a group, including a group engagement partner, component auditors or other auditors performing work at components of a group for purposes other than the audit of the group financial statements.¹⁴

- A30. In other cases, the relevant ethical requirements may require the auditor to determine whether reporting identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity is an appropriate action in the circumstances. For example, Professional and Ethical Standard 1 ~~(Revised)~~, requires the auditor to take steps to respond to identified or suspected non-compliance with laws and regulations and determine whether further action is needed, which may include reporting to an appropriate authority outside the entity.¹⁵ Professional and Ethical Standard 1 ~~(Revised)~~ explains that such reporting would not be considered a breach of the duty of confidentiality under Professional and Ethical Standard 1 ~~(Revised)~~.¹⁶
- A36. Law, regulation or relevant ethical requirements may also set out additional documentation requirements regarding identified or suspected non-compliance with laws and regulations.¹⁷

B.7 ISA (NZ) 260 Communication with Those Charged with Governance

NZ17.1 In the case of FMC reporting entities considered to have a higher level of public accountability, the auditor shall communicate with those charged with governance:

- (a) A statement that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence; and
- (i) All relationships and other matters between the firm, network firms, and the entity that, in the auditor's professional judgement, may reasonably be thought to bear on independence. This shall include total fees charged during the period covered by the financial statements for audit and non-audit services provided by the firm and network firms to the entity and components controlled by the entity. These fees shall be allocated to categories that are appropriate to assist those charged with governance in assessing the effect of services on the independence of the auditor; and
- (ii) In respect of threats to independence that are not at an acceptable level, the actions taken to address the threats, including actions that were taken to eliminate the circumstances that create the threats or applying ~~The related safeguards that~~

¹⁴ See, for example, paragraphs NZ R360.16.1-360.18 A1 ~~Sections NZ225.21.1 NZ225.22.1~~ of Professional and Ethical Standard 1 ~~(Revised)~~.

¹⁵ See, for example, paragraphs 360.21 A1 and 360.25 A1-R360.27 ~~Section 225.29 and Sections 225.33-225.36~~ of Professional and Ethical Standard 1 ~~(Revised)~~.

¹⁶ See, for example, paragraphs R114.1-114.1 A1 and R360.26 ~~Section 140.7 and Section 225.35~~ of Professional and Ethical Standard 1 ~~(Revised)~~.

¹⁷ See, for example, paragraph R360.28 ~~Section 225.37~~ of Professional and Ethical Standard 1 ~~(Revised)~~.

~~have been applied to eliminate identified threats to independence or reduce them the threats to an acceptable level. (Ref: Para. A29–A32)~~

A30 ~~The communication about relationships and other matters, and how threats to independence that are not at an acceptable level have been addressed safeguards to be communicated, varies with the circumstances of the engagement and generally addresses the threats to independence, safeguards to reduce the threats, and measures to eliminate circumstances that created threats., but generally address:~~

- ~~(a) Threats to independence, which may be categorised as: self interest threats, self review threats, advocacy threats, familiarity threats, and intimidation threats; and~~
- ~~(b) Safeguards created by the profession, legislation or regulation, safeguards within the entity, and safeguards within the firm’s own systems and procedures.~~

A31. Relevant ethical requirements or law or regulation may also specify particular communications to those charged with governance in circumstances where breaches of independence requirements have been identified. For example, Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (Revised)* requires the auditor to communicate with those charged with governance in writing about any breach and the action the firm has taken or proposes to take.¹⁸

A49 Timely communication throughout the audit contributes to the achievement of robust two-way dialogue between those charged with governance and the auditor. However, the appropriate timing for communications will vary with the circumstances of the engagement. Relevant circumstances include the significance and nature of the matter, and the action expected to be taken by those charged with governance. For example:

...

- Communications regarding independence may be appropriate whenever significant judgements are made about threats to independence and how threats to independence that are not at an acceptable level will be addressed~~related safeguards~~, for example, when accepting an engagement to provide non-audit services, and at a concluding discussion.

...

B.8 ISA (NZ) 300 Planning an Audit of Financial Statements

13. The auditor shall undertake the following activities prior to starting an initial audit:
 - (a) Performing procedures required by ISA (NZ) 220 regarding the acceptance of the client relationship and the specific audit engagement;¹⁹ and

¹⁸ See, for example, paragraphs R400.80-R400.82 and R400.84. ~~Section 290.39–49 of Professional and Ethical Standard 1 (Revised), which addresses breaches of independence.~~

¹⁹ ISA (NZ) 220, paragraphs 12-13.

- (b) Communicating with the predecessor auditor, where there has been a change of auditors, in compliance with Professional and Ethical Standard 1²⁰. (Ref: Para. A22)

B.9 ISA (NZ) 510 Initial Audit Engagements – Opening Balances

Appendix

(Ref: Para. A8)

Illustrations of Auditors’ Reports with Modified Opinions

Note: Throughout these illustrative auditor’s reports, the *Opinion* section has been positioned first in accordance with ISA (NZ) 700 (Revised), and the *Basis for Opinion* section is positioned immediately after the Opinion section. Also, the first and last sentence that was included in the extant auditor’s responsibilities section is now subsumed as part of the new *Basis for Opinion* section.

Illustration 1:

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of an entity other than a FMC reporting entity considered to have a higher level of public accountability using a fair presentation framework. The audit is not a group audit (i.e., ISA (NZ) 600²¹ does not apply).
- The financial statements are prepared by management of the entity in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) (a general purpose framework).
- The terms of the audit engagement reflect the description of the responsibilities of those charged with governance for the financial statements in ISA (NZ) 210²².
- The auditor did not observe the counting of the physical inventory at the beginning of the current period and was unable to obtain sufficient appropriate audit evidence regarding the opening balances of inventory.
- The possible effects of the inability to obtain sufficient appropriate audit evidence regarding opening balances of inventory are deemed to be material but not pervasive to the entity’s financial performance and cash flows.²³
- The financial position at year end is fairly presented.

²⁰ PES 1 (Revised), “Code of Ethics for Assurance Practitioners” Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*

²¹ ISA (NZ) 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

²² ISA (NZ) 210, *Agreeing the Terms of Audit Engagements*

²³ If the possible effects, in the auditor’s judgement, are considered to be material and pervasive to the entity’s financial performance and cash flows, the auditor would disclaim an opinion on the financial performance and cash flows.

- In this particular jurisdiction, law and regulation prohibit the auditor from giving an opinion which is qualified regarding the financial performance and cash flows and unmodified regarding financial position.
- Professional and Ethical Standard 1 (~~Revised~~) International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) comprises all of the relevant ethical requirements that apply to the audit.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ISA (NZ) 570 (Revised)²⁴.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA (NZ) 701²⁵.
- The auditor has obtained all of the other information prior to the date of the auditor's report and has not identified a material misstatement of the other information.
- Corresponding figures are presented, and the prior period's financial statements were audited by a predecessor auditor. The auditor is not prohibited by law or regulation from referring to the predecessor auditor's report on the corresponding figures and has decided to do so.
- In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.

This example has not been included in ISA (NZ) 510 as there is no law or regulation in New Zealand that prohibits the auditor from giving an opinion which is qualified regarding the financial performance and cash flows and unmodified regarding financial position.

²⁴ ISA (NZ) 570 (Revised), *Going Concern*.

²⁵ ISA (NZ) 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

Illustration 2:

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of a complete set of financial statements of an entity other than a FMC reporting entity considered to have a higher level of public accountability using a fair presentation framework. The audit is not a group audit (i.e., ISA (NZ) 600 does not apply).
- The financial statements are prepared by management of the entity in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) (a general purpose framework).
- The terms of the audit engagement reflect the description of the responsibilities of those charged with governance for the financial statements in ISA (NZ) 210.
- The auditor did not observe the counting of the physical inventory at the beginning of the current period and was unable to obtain sufficient appropriate audit evidence regarding the opening balances of inventory.
- The possible effects of the inability to obtain sufficient appropriate audit evidence regarding opening balances of inventory are deemed to be material but not pervasive to the entity's financial performance and cash flows.²⁶
- The financial position at year end is fairly presented.
- An opinion that is qualified regarding the financial performance and cash flows and unmodified regarding financial position is considered appropriate in the circumstances.
- Professional and Ethical Standard 1 ~~(Revised)~~ *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* comprises all of the relevant ethical requirements that apply to the audit.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ISA (NZ) 570 (Revised).
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA (NZ) 701.
- The auditor has obtained all of the other information prior to the date of the auditor's report and has not identified a material misstatement of the other information.
- Corresponding figures are presented, and the prior period's financial statements were audited by a predecessor auditor. The auditor is not prohibited by law or regulation from referring to the predecessor auditor's report on the corresponding figures and has decided to do so.
- In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.

²⁶ If the possible effects, in the auditor's judgement, are considered to be material and pervasive to the entity's financial performance and cash flows, the auditor would disclaim the opinion on the financial performance and cash flows.

INDEPENDENT AUDITOR'S REPORT

...

Basis for Opinions, Including Basis for Qualified Opinion on the Financial Performance and Cash Flows

We were appointed as auditors of the Company on June 30, 20X1 and thus did not observe the counting of the physical inventories at the beginning of the year. We were unable to satisfy ourselves by alternative means concerning inventory quantities held at December 31, 20X0. Since opening inventories enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the profit for the year reported in the income statement and the net cash flows from operating activities reported in the statement of cash flows.

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1 ~~(Revised)~~ *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified opinion on the financial position and our qualified audit opinion on the financial performance and cash flows.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

...

B.10 ISA (NZ) 570 (Revised) *Going Concern*

Appendix

(Ref: Para. A29, A31–A32)

Illustrations of Auditor’s Reports Relating to Going Concern

- [NZ] Illustration 1: An auditor’s report containing an unmodified opinion when the auditor has concluded that a material uncertainty exists and disclosure in the financial statements is adequate.
- [NZ] Illustration 2: An auditor’s report containing a qualified opinion when the auditor has concluded that a material uncertainty exists and that the financial statements are materially misstated due to inadequate disclosure.
- [NZ] Illustration 3: An auditor’s report containing an adverse opinion when the auditor has concluded that a material uncertainty exists and the financial statements omit the required disclosures relating to a material uncertainty.

[NZ] Illustration 1 – Unmodified Opinion When a Material Uncertainty Exists and Disclosure in the Financial Statements Is Adequate

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of a FMC reporting entity considered to have a higher level of public accountability using a fair presentation framework. The audit is not a group audit (i.e., ISA (NZ) 600²⁷ does not apply).
- The financial statements are prepared by management of the entity in accordance with NZ IFRS (a general purpose framework).
- The terms of the audit engagement reflect the description of the responsibilities of those charged with governance for the financial statements in ISA (NZ) 210.²⁸
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- Professional and Ethical Standard 1 (~~Revised~~) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* comprises all of the relevant ethical requirements that apply to the audit.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern. The disclosure of the material uncertainty in the financial statements is adequate.
- Key audit matters have been communicated in accordance with ISA (NZ) 701.
- The auditor has obtained all of the other information prior to the date of the auditor’s report and has not identified a material misstatement of the other information.
- In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.

INDEPENDENT AUDITOR’S REPORT

...

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1 (~~Revised~~), *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

...

²⁷ ISA (NZ) 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*.

²⁸ ISA (NZ) 210, *Agreeing the Terms of Audit Engagements*.

[NZ] Illustration 2 – Qualified Opinion When a Material Uncertainty Exists and the Financial Statements Are Materially Misstated Due to Inadequate Disclosure

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of a FMC reporting entity considered to have a higher level of public accountability using a fair presentation framework. The audit is not a group audit (i.e., ISA (NZ) 600 does not apply).
- The financial statements are prepared by management of the entity in accordance with NZ IFRS (a general purpose framework).
- The terms of the audit engagement reflect the description of the responsibilities of those charged with governance for the financial statements in ISA (NZ) 210.
- Professional and Ethical Standard 1–(~~Revised~~) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* comprises all of the relevant ethical requirements that apply to the audit.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern. Note yy to the financial statements discusses the magnitude of financing arrangements, the expiration and the total financing arrangements; however the financial statements do not include discussion on the impact or the availability of refinancing or characterise this situation as a material uncertainty.
- The financial statements are materially misstated due to the inadequate disclosure of the material uncertainty. A qualified opinion is being expressed because the auditor concluded that the effects on the financial statements of this inadequate disclosure are material but not pervasive to the financial statements.
- Key audit matters have been communicated in accordance with ISA (NZ) 701.
- The auditor has obtained all of the other information prior to the date of the auditor’s report and the matter giving rise to the qualified opinion on the financial statements also affects the other information.
- In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.

INDEPENDENT AUDITOR’S REPORT

...

Basis for Qualified Opinion

As discussed in Note yy, the Company’s financing arrangements expire and amounts outstanding are payable on March 19, 20X2. The Company has been unable to conclude re-negotiations or obtain replacement financing. This situation indicates that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. The financial statements do not adequately disclose this matter.

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1–(~~Revised~~) *International Code of Ethics for*

Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

...

[NZ] Illustration 3 – Adverse Opinion When a Material Uncertainty Exists and Is Not Disclosed in the Financial Statements

For purposes of the illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of an entity other than a FMC reporting entity considered to have a higher level of public accountability using a fair presentation framework. The audit is not a group audit (i.e., ISA (NZ) 600 does not apply).
- The financial statements are prepared by management of the entity in accordance with NZ IFRS (a general purpose framework).
- The terms of the audit engagement reflect the description of the responsibilities of those charged with governance for the financial statements in ISA (NZ) 210.
- Professional and Ethical Standard 1—~~(Revised)~~ *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* comprises all of the relevant ethical requirements that apply to the audit.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern, and the Company is considering bankruptcy. The financial statements omit the required disclosures relating to the material uncertainty. An adverse opinion is being expressed because the effects on the financial statements of such omission are material and pervasive.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA (NZ) 701.
- The auditor has obtained all of the other information prior to the date of the auditor’s report and the matter giving rise to the qualified/adverse opinion on the consolidated financial statements also affects the other information.
- In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.

INDEPENDENT AUDITOR’S REPORT

...

Basis for Adverse Opinion

The Company’s financing arrangements expired and the amount outstanding was payable on December 31, 20X1. The Company has been unable to conclude re-negotiations or obtain replacement financing and is considering filing for bankruptcy. This situation indicates that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. The financial statements do not adequately disclose this fact.

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1 (~~Revised~~) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have

obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

...

B.11 ISA (NZ) 600 Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)

Appendix 1

(Ref: Para. A19)

Illustration - Example of a Qualified Opinion Where the Group Engagement Team is Not Able to Obtain Sufficient Appropriate Audit Evidence on which to Base the Group Audit Opinion

- Audit of a complete set of consolidated financial statements of an entity other than a FMC reporting entity considered to have a higher level of public accountability using a fair presentation framework. The audit is a group audit (i.e., ISA (NZ) 600 applies).
- The consolidated financial statements are prepared by management of the entity in accordance with NZ IFRS (a general purpose framework).
- The terms of the audit engagement reflect the description of responsibility of those charged with governance for the consolidated financial statements in ISA (NZ) 210.
- The group engagement team is unable to obtain sufficient appropriate audit evidence relating to a significant component accounted for by the equity method (recognised at \$15 million in the statement of financial position, which reflects total assets of \$60 million) because the group engagement team did not have access to the accounting records, management, or auditor of the component.
- The group engagement team has read the audited financial statements of the component as of December 31, 20X1, including the auditor's report thereon, and considered related financial information kept by group management in relation to the component.
- In the group engagement partner's judgement, the effect on the group financial statements of this inability to obtain sufficient appropriate audit evidence is material but not pervasive.²⁹
- Professional and Ethical Standard 1 (~~Revised~~) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* comprises all of the relevant ethical requirements that apply to the audit.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt

²⁹ If, in the group engagement partner's judgement, the effect on the group financial statements of the inability to obtain sufficient appropriate audit evidence is material and pervasive, the group engagement partner would disclaim an opinion in accordance with ISA (NZ) 705 (Revised).

on the entity's ability to continue as a going concern in accordance with ISA (NZ) 570 (Revised).

- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA (NZ) 701.
- The auditor has obtained all of the other information prior to the date of the auditor's report and the qualified opinion on the consolidated financial statements also affects the other information.
- In addition to the audit of the consolidated financial statements, the auditor has other reporting responsibilities required under local law.

INDEPENDENT AUDITOR'S REPORT

...

Basis for Qualified Opinion

ABC Company's investment in XYZ Company, a foreign associate acquired during the year and accounted for by the equity method, is carried at \$15 million on the consolidated statement of financial position as at December 31, 20X1, and ABC's share of XYZ's net income of \$1 million is included in the consolidated statement of comprehensive income for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of ABC's investment in XYZ as at December 31, 20X1 and ABC's share of XYZ's net income for the year because we were denied access to the financial information, management, and the auditors of XYZ. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 (~~Revised~~) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, ABC Company or any of its subsidiaries.

...

Examples of a Component Auditor's Confirmations

The following is not intended to be a standard letter. Confirmations may vary from one component auditor to another and from one period to the next.

Confirmations often are obtained before work on the financial information of the component commences.

[Component Auditor Letterhead]

[Date]

[To Group Engagement Partner]

This letter is provided in connection with your audit of the group financial statements of [name of parent] for the year ended [date] for the purpose of expressing an opinion on whether the group financial statements present fairly, in all material respects (give a true and fair view of) the financial position of the group as of [date] and of its financial performance and cash flows for the year then ended in accordance with [indicate applicable financial reporting framework].

We acknowledge receipt of your instructions dated [date], requesting us to perform the specified work on the financial information of [name of component] for the year ended [date].

We confirm that:

1. We will be able to comply with the instructions. / We advise you that we will not be able to comply with the following instructions [specify instructions] for the following reasons [specify reasons].
2. The instructions are clear and we understand them. / We would appreciate it if you could clarify the following instructions [specify instructions].
3. We will cooperate with you and provide you with access to relevant audit documentation.

We acknowledge that:

1. The financial information of [name of component] will be included in the group financial statements of [name of parent].
2. You may consider it necessary to be involved in the work you have requested us to perform on the financial information of [name of component] for the year ended [date].
3. You intend to evaluate and, if considered appropriate, use our work for the audit of the group financial statements of [name of parent].

In connection with the work that we will perform on the financial information of [name of component], a [describe component, for example, wholly-owned subsidiary, subsidiary, joint venture, investee accounted for by the equity or cost methods of accounting] of [name of parent], we confirm the following:

1. We have an understanding of Professional and Ethical Standard 1 (~~Revised~~)³⁰ issued by the New Zealand Auditing and Assurance Standards Board (referred to as “Ethical Standards”) that is sufficient to fulfill our responsibilities in the audit of the group financial statements, and will comply therewith. In particular, and with respect to [name of parent] and the other components in the group, we are independent within the meaning of Ethical Standards.
2. We have an understanding of the International Standards on Auditing (New Zealand) that is sufficient to fulfill our responsibilities in the audit of the group financial statements and will conduct our work on the financial information of [name of component] for the year ended [date] in accordance with those standards.
3. We possess the special skills (for example, industry specific knowledge) necessary to perform the work on the financial information of the particular component.
4. We have an understanding of [indicate applicable financial reporting framework or group financial reporting procedures manual] that is sufficient to fulfill our responsibilities in the audit of the group financial statements.

We will inform you of any changes in the above representations during the course of our work on the financial information of [name of component].

[Auditor’s signature]

[Date]

[Auditor’s address]

B.12 ISA (NZ) 610 (Revised 2013) Using the Work of Internal Auditors

A14. In addition, Professional and Ethical Standard 1 (~~Revised~~)³¹ states that a self-review threat is created when the external auditor accepts an engagement to provide internal audit services to an audit client, and the results of those services will be used in conducting the audit. This is because of the possibility that the engagement team will use the results of the internal audit service without properly evaluating those results or without exercising the same level of professional scepticism as would be exercised when the internal audit work is performed by individuals who are not members of the firm. Professional and Ethical Standard 1 (~~Revised~~)³² discusses the prohibitions that apply in certain circumstances and the threats and the safeguards that can be applied to reduce the threats to an acceptable level in other circumstances.

³⁰ ~~PES 1 (Revised), “Code of Ethics for Assurance Practitioners”~~ Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*

³¹ Professional and Ethical Standard 1 (~~Revised~~), *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*, paragraphs 605.4 A2-605.4 A3 ~~Section 290.199.~~

³² Professional and Ethical Standard 1 (~~Revised~~), paragraphs 605.1-R605.5 ~~Section 290.195-290.200.~~

B.13 ISA (NZ) 620 Using the Work of an Auditor's Expert

- A18. A broad range of circumstances may threaten objectivity, for example, self-interest threats, advocacy threats, familiarity threats, self-review threats, and intimidation threats. ~~Safeguards may eliminate or reduce such threats, and may be created by external structures (for example, the auditor's expert's profession, legislation or regulation), or by the auditor's expert's work environment (for example, quality control policies and procedures).~~ Such threats may be addressed by eliminating the circumstances that create the threats, or applying safeguards to reduce threats to an acceptable level. There may also be safeguards specific to the audit engagement.
- A19. The evaluation of whether the threats to objectivity are at an acceptable level ~~the significance of threats to objectivity and of whether there is a need for safeguards~~ may depend upon the role of the auditor's expert and the significance of the expert's work in the context of the audit. In some cases, it may not be possible to eliminate circumstances that create threats or apply safeguards to reduce threats to an acceptable level. ~~There may be some circumstances in which safeguards cannot reduce threats to an acceptable level,~~ for example, if a proposed auditor's expert is an individual who has played a significant role in preparing the information that is being audited, that is, if the auditor's expert is a management's expert.

B.14 ISA (NZ) 700 (Revised) Forming an Opinion and Reporting on Financial Statements

Basis for Opinion

28. The auditor's report shall include a section, directly following the Opinion section, with the heading "Basis for Opinion", that: (Ref: Para. A32)
- ...
- (c) Includes a statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit, and has fulfilled the auditor's other ethical responsibilities in accordance with these requirements. The statement shall identify the jurisdiction of origin of the relevant ethical requirements or refer to the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code); and (Ref: Para. A34-A39)
- NZ28(c) In New Zealand, the statement required by paragraph 28(c) shall refer to Professional and Ethical Standard 1 ~~(Revised)~~ *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board. ~~Professional and Ethical Standard 1 (Revised) is at least as restrictive as Parts A and B of the IESBA Code related to an audit of financial statements.~~
- ...
40. The Auditor's Responsibilities for the Audit of the Financial Statements section of the auditor's report also shall: (Ref: Para. A50)

...

(b) [Amended by the NZAuASB].

NZ40(b)(1) For audits of FMC reporting entities considered to have a higher level of public accountability, state that the auditor provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, related safeguards actions taken to eliminate threats or safeguards applied; and

...

50. If the auditor is required by law or regulation of a specific jurisdiction to use a specific layout, or wording of the auditor's report, the auditor's report shall refer to International Standards on Auditing (New Zealand) only if the auditor's report includes, at a minimum, each of the following elements: (Ref: Para. A70–A71)

...

(e) A statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit, and has fulfilled the auditor's other ethical responsibilities in accordance with these requirements. The statement shall identify the jurisdiction of origin of the relevant ethical requirements or refer to the IESBA Code.

NZ50(e)(1) In New Zealand, the independence statement shall refer to Professional and Ethical Standard 1 ~~(Revised)~~ *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board.

...

A34. The identification of the jurisdiction of origin of relevant ethical requirements increases transparency about those requirements relating to the particular audit engagement. ISA (NZ) 200 explains that relevant ethical requirements ordinarily comprise Professional and Ethical Standard 1 ~~(Revised)~~.³³ When the relevant ethical requirements include those of the IESBA Code, the statement may also make reference to the IESBA Code.

A39. The ISAs (NZ) do not establish specific independence or ethical requirements for auditors, including component auditors, and thus do not extend, or otherwise override, the independence requirements of the Professional and Ethical Standard 1 ~~(Revised)~~ or other ethical requirements to which the group engagement team is subject, nor do the ISAs (NZ) require that the component auditor in all cases to be subject to the same specific independence requirements that are applicable to the group engagement team. As a result, relevant ethical requirements, including those pertaining to independence, in a group audit situation may be complex. ISA (NZ) 600³⁴ provides guidance for auditors in performing work on the financial information of a component for a group audit, including those

³³ ISA (NZ) 200, paragraph A14

³⁴ ISA (NZ) 600, paragraphs 19–20

situations where the component auditor does not meet the independence requirements that are relevant to the group audit.

Illustrations of Independent Auditor's Reports on Financial Statements Appendix

...

[NZ] Illustration 1 – Auditor's Report on Financial Statements of a FMC Reporting Entity Considered to have a Higher Level of Public Accountability Prepared in Accordance with a Fair Presentation Framework (for example NZ IFRS)

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of a complete set of financial statements of a FMC reporting entity considered to have a higher level of public accountability using a fair presentation framework. The audit is not a group audit (i.e., ISA (NZ) 600 does not apply).
- The financial statements are prepared by management of the entity in accordance with NZ IFRS (a general purpose framework).
- The terms of the audit engagement reflect the description of the responsibilities of those charged with governance for the financial statements in ISA (NZ) 210.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit comprise Professional and Ethical Standard 1 (~~Revised~~) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*. The auditor has also chosen to refer to the International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standards)*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ISA (NZ) 570 (Revised).
- Key audit matters have been communicated in accordance with ISA (NZ) 701.
- The auditor has obtained all of the other information prior to the date of the auditor's report and has not identified a material misstatement of the other information.
- In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.

INDEPENDENT AUDITOR'S REPORT

...

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities*

for the *Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1—~~(Revised)~~—*International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

...

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Paragraph 41(b) of this ISA (NZ) explains that the shaded material below can be located in an Appendix to the auditor’s report.

Paragraph 41(c) explains that when law, regulation or ISAs (NZ) expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor’s responsibilities, rather than including this material in the auditor’s report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor’s responsibilities below. Paragraph NZ A57.1 explains that when the auditor refers to a description of the auditor’s responsibilities on a website, the appropriate authority is the External Reporting Board and the website address is

https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Description_Auditors_responsibilities.aspx.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.³⁵

³⁵ This sentence would be modified, as appropriate, in circumstances when the auditor also has a responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

...

[NZ] Illustration 2 – Auditor’s Report on Consolidated Financial Statements of a FMC Reporting Entity Considered to have a Higher Level of Public Accountability Prepared in Accordance with a Fair Presentation Framework (for example, NZ IFRS)

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of consolidated financial statements of a FMC reporting entity considered to have a higher level of public accountability using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA (NZ) 600 applies).
- The consolidated financial statements are prepared by management of the entity in accordance with NZ IFRS (a general purpose framework).
- The terms of the audit engagement reflect the description of the responsibilities of those charged with governance for the consolidated financial statements in ISA (NZ) 210.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- Professional and Ethical Standard 1 (~~Revised~~) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* comprises all of the relevant ethical requirements that apply to the audit.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with ISA (NZ) 570 (Revised).
- Key audit matters have been communicated in accordance with ISA (NZ) 701.
- The auditor has obtained all of the other information prior to the date of the auditor’s report and has not identified a material misstatement of the other information.
- In addition to the audit of the consolidated financial statements, the auditor has other reporting responsibilities required under local law.

INDEPENDENT AUDITOR’S REPORT

...

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 (~~Revised~~) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, ABC Company or any of its subsidiaries.

...

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Paragraph 41(b) of this ISA (NZ) explains that the shaded material below can be located in an Appendix to the auditor's report.

Paragraph 41(c) explains that when law, regulation or ISAs (NZ) expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. Paragraph NZ A57.1 states that when the auditor refers to a description of the auditor's responsibilities on a website, the appropriate authority is the External Reporting Board and the website address is

https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Description_Auditors_responsibilities.aspx.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.³⁶
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

³⁶ This sentence would be modified, as appropriate, in circumstances when the auditor also has a responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the consolidated financial statements.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied ~~related safeguards~~.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

...

[NZ] Illustration 3 – Auditor’s Report on Financial Statements of a Public Benefit Entity that is not a FMC Reporting Entity Considered to have a Higher Level of Public Accountability Prepared in Accordance with a Fair Presentation Framework (for example, Public Benefit Entity Standards)

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of a public benefit entity that is not a FMC reporting entity considered to have a higher level of public accountability using a fair presentation framework. The audit is not a group audit (i.e., ISA (NZ) 600 does not apply).
- The financial statements are prepared by management of the entity in accordance with Public Benefit Entity Standards³⁷ (a general purpose framework).
- The terms of the audit engagement reflect the description of the responsibilities of those charged with governance for the financial statements in ISA (NZ) 210.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- Professional and Ethical Standard 1 (~~Revised~~) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* comprises all of the relevant ethical requirements that apply to the audit.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with ISA (NZ) 570 (Revised).
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA (NZ) 701.
- The auditor has obtained all of the other information prior to the date of the auditor’s report and has not identified a material misstatement of the other information.
- The auditor has no other reporting responsibilities required under local law.
- The auditor elects to refer to the description of the auditor’s responsibility included on the website of the XRB.

³⁷ The use of Public Benefit Entity Standards is used for the purposes of illustration. The appropriate financial reporting standards to be applied by an entity will be determined by the tier structure established in XRB A1 *Application of the Accounting Standards Framework*. The Auditor’s Report would identify one of the following:

- New Zealand equivalents to International Financial Reporting Standards. (This may also include compliance with International Financial Reporting Standards)
- New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime
- Public Benefit Entity Standards
- Public Benefit Entity Standards Reduced Disclosure Regime
- Public Benefit Entity Simple Format Reporting – Accrual (Public Sector)
- Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit).

INDEPENDENT AUDITOR'S REPORT

...

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the [entity] in accordance with Professional and Ethical Standard 1—~~(Revised)~~ International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the [entity].

...

[NZ] Illustration 4 – Auditor’s Report on Financial Statements of an Entity Other than a FMC Reporting Entity Considered to have a Higher Level of Public Accountability Prepared in Accordance with a General Purpose Compliance Framework

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of an entity other than a FMC reporting entity considered to have a higher level of public accountability required by law or regulation. The audit is not a group audit (i.e., ISA (NZ) 600 does not apply).
- The financial statements are prepared by management of the entity in accordance with the Financial Reporting Framework (XYZ Law) of Jurisdiction X (that is, a financial reporting framework, encompassing law or regulation, designed to meet the common financial information needs of a wide range of users, but which is not a fair presentation framework).
- The terms of the audit engagement reflect the description of the responsibilities of those charged with governance for the financial statements in ISA (NZ) 210.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- Professional and Ethical Standard 1 (~~Revised~~) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* comprises all of the relevant ethical requirements that apply to the audit.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with ISA (NZ) 570 (Revised).
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA (NZ) 701.
- The auditor has obtained all of the other information prior to the date of the auditor’s report and has not identified a material misstatement of the other information.
- The auditor has no other reporting responsibilities required under local law.

INDEPENDENT AUDITOR’S REPORT

...

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1 (~~Revised~~) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, ABC Company.

...

B.15 ISA (NZ) 705 Modifications to the Opinion in the Independent Auditor's Report

Appendix

(Ref: Para. A17-A18, A25)

Illustrations of Auditor's Reports with Modifications to the Opinion

- [NZ] Illustration 1: An auditor's report containing a qualified opinion due to a material misstatement of the financial statements.
- [NZ] Illustration 2: An auditor's report containing an adverse opinion due to a material misstatement of the consolidated financial statements.
- [NZ] Illustration 3: An auditor's report containing a qualified opinion due to the auditor's inability to obtain sufficient appropriate audit evidence regarding a foreign associate.
- [NZ] Illustration 4: An auditor's report containing a disclaimer of opinion due to the auditor's inability to obtain sufficient appropriate audit evidence about a single element of the consolidated financial statements.
- [NZ] Illustration 5: An auditor's report containing a disclaimer of opinion due to the auditor's inability to obtain sufficient appropriate audit evidence about multiple elements of the financial statements.

[NZ] Illustration 1 – Qualified Opinion due to a Material Misstatement of the Financial Statements

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of a FMC reporting entity considered to have a higher level of public accountability using a fair presentation framework. The audit is not a group audit (i.e., ISA (NZ) 600³⁸ does not apply).
- The financial statements are prepared by management of the entity in accordance with NZ IFRS (a general purpose framework).
- The terms of the audit engagement reflect the description of the responsibilities of those charged with governance for the financial statements in ISA (NZ) 210.³⁹
- Inventories are misstated. The misstatement is deemed to be material but not pervasive to the financial statements (i.e., a qualified opinion is appropriate).
- Professional and Ethical Standard 1 (~~Revised~~) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* comprises all of the relevant ethical requirements that apply to the audit.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with ISA (NZ) 570 (Revised).
- Key audit matters have been communicated in accordance with ISA (NZ) 701.
- The auditor has obtained all of the other information prior to the date of the auditor’s report and the matter giving rise to the qualified opinion on the consolidated financial statements also affects the other information.
- In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.

INDEPENDENT AUDITOR’S REPORT

...

Basis for Qualified Opinion

The Company’s inventories are carried in the statement of financial position at xxx. Management has not stated the inventories at the lower of cost and net realisable value but has stated them solely at cost, which constitutes a departure from NZ IFRS. The Company’s records indicate that, had management stated the inventories at the lower of cost and net realisable value, an amount of xxx would have been required to write the inventories down to their net realisable value. Accordingly, cost of sales would have been increased by xxx, and income tax, net income and shareholders’ equity would have been reduced by xxx, xxx and xxx, respectively.

³⁸ ISA (NZ) 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

³⁹ ISA (NZ) 210, *Agreeing the Terms of Audit Engagements*

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1-~~(Revised)~~ *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

...

[NZ] Illustration 2 – Adverse Opinion due to a Material Misstatement of the Consolidated Financial Statements

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of consolidated financial statements of a FMC reporting entity considered to have a higher level of public accountability using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA (NZ) 600 applies).
- The consolidated financial statements are prepared by management of the entity in accordance with NZ IFRS (a general purpose framework).
- The terms of the audit engagement reflect the description of the responsibilities of those charged with governance for the consolidated financial statements in ISA (NZ) 210.
- The consolidated financial statements are materially misstated due to the non-consolidation of a subsidiary. The material misstatement is deemed to be pervasive to the consolidated financial statements. The effects of the misstatement on the consolidated financial statements have not been determined because it was not practicable to do so (i.e., an adverse opinion is appropriate).
- Professional and Ethical Standard 1 (~~Revised~~) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* comprises all of the relevant ethical requirements that apply to the audit.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with ISA (NZ) 570 (Revised).
- ISA (NZ) 701 applies; however, the auditor has determined that there are no key audit matters other than the matter described in the Basis for Adverse Opinion section.
- The auditor has obtained all of the other information prior to the date of the auditor’s report and the matter giving rise to the adverse opinion on the consolidated financial statements also affects the other information.
- In addition to the audit of the consolidated financial statements, the auditor has other reporting responsibilities required under local law.

INDEPENDENT AUDITOR’S REPORT

...

Basis for Adverse Opinion

As explained in Note X, the Group has not consolidated subsidiary XYZ Company that the Group acquired during 20X1 because it has not yet been able to determine the fair values of certain of the subsidiary’s material assets and liabilities at the acquisition date. This investment is therefore accounted for on a cost basis. Under NZ IFRS, the Company should have consolidated this subsidiary and

accounted for the acquisition based on provisional amounts. Had XYZ Company been consolidated, many elements in the accompanying consolidated financial statements would have been materially affected. The effects on the consolidated financial statements of the failure to consolidate have not been determined.

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1-~~(Revised)~~ International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, ABC Company or any of its subsidiaries.

...

[NZ] Illustration 3 – Qualified Opinion due to the Auditor’s Inability to Obtain Sufficient Audit Evidence Regarding a Foreign Associate

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of consolidated financial statements of a FMC reporting entity considered to have a higher level of public accountability using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA (NZ) 600 applies).
- The consolidated financial statements are prepared by management of the entity in accordance with NZ IFRS (a general purpose framework).
- The terms of the audit engagement reflect the description of the responsibilities of those charged with governance for the consolidated financial statements in ISA (NZ) 210.
- The auditor was unable to obtain sufficient appropriate audit evidence regarding an investment in a foreign associate. The possible effects of the inability to obtain sufficient appropriate audit evidence are deemed to be material but not pervasive to the consolidated financial statements (i.e., a qualified opinion is appropriate).
- Professional and Ethical Standard 1 (~~Revised~~) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* comprises all of the relevant ethical requirements that apply to the audit.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with ISA (NZ) 570 (Revised).
- Key audit matters have been communicated in accordance with ISA (NZ) 701.
- The auditor has obtained all of the other information prior to the date of the auditor’s report and the matter giving rise to the qualified opinion on the consolidated financial statements also affects the other information.
- In addition to the audit of the consolidated financial statements, the auditor has other reporting responsibilities required under local law.

INDEPENDENT AUDITOR’S REPORT

...

Basis for Qualified Opinion

The Group’s investment in XYZ Company, a foreign associate acquired during the year and accounted for by the equity method, is carried at xxx on the consolidated statement of financial position as at December 31, 20X1, and ABC’s share of XYZ’s net income of xxx is included in ABC’s income for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of ABC’s investment in XYZ as at December 31, 20X1 and ABC’s share of XYZ’s net income for the year because we were denied access to the financial

information, management, and the auditors of XYZ. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1-~~(Revised)~~ International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, ABC Company or any of its subsidiaries.

...

[NZ] Illustration 4 – Disclaimer of Opinion due to the Auditor’s Inability to Obtain Sufficient Appropriate Audit Evidence about a Single Element of the Consolidated Financial Statements

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of consolidated financial statements of an entity other than a FMC reporting entity considered to have a higher level of public accountability using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA (NZ) 600 applies).
- The consolidated financial statements are prepared by management of the entity in accordance with NZ IFRS (a general purpose framework).
- The terms of the audit engagement reflect the description of the responsibilities of those charged with governance for the consolidated financial statements in ISA (NZ) 210.
- The auditor was unable to obtain sufficient appropriate audit evidence about a single element of the consolidated financial statements. That is, the auditor was also unable to obtain audit evidence about the financial information of a joint venture investment that represents over 90% of the entity’s net assets. The possible effects of this inability to obtain sufficient appropriate audit evidence are deemed to be both material and pervasive to the consolidated financial statements (i.e., a disclaimer of opinion is appropriate).
- Professional and Ethical Standard 1 (~~Revised~~) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* comprises all of the relevant ethical requirements that apply to the audit.
- A more limited description of the auditor’s responsibilities section is required.
- In addition to the audit of the consolidated financial statements, the auditor has other reporting responsibilities required under local law.

INDEPENDENT AUDITOR’S REPORT

...

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to conduct an audit of the Group’s consolidated financial statements in accordance with International Standards on Auditing (New Zealand) and to issue an auditor’s report. However, because of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with Professional and Ethical Standard 1 (~~Revised~~) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor we have no relationship with, or interests in, ABC Company or any of its subsidiaries.

...

[NZ] Illustration 5 – Disclaimer of Opinion due to the Auditor’s Inability to Obtain Sufficient Appropriate Audit Evidence about Multiple Elements of the Financial Statements

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of an entity other than a FMC reporting entity considered to have a higher level of public accountability using a fair presentation framework. The audit is not a group audit (i.e., ISA (NZ) 600, does not apply).
- The financial statements are prepared by management of the entity in accordance with NZ IFRS (a general purpose framework).
- The terms of the audit engagement reflect the description of the responsibilities of those charged with governance for the financial statements in ISA (NZ) 210.
- The auditor was unable to obtain sufficient appropriate audit evidence about multiple elements of the financial statements, that is, the auditor was also unable to obtain audit evidence about the entity’s inventories and accounts receivable. The possible effects of this inability to obtain sufficient appropriate audit evidence are deemed to be both material and pervasive to the financial statements.
- Professional and Ethical Standard 1 (~~Revised~~) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* comprises all of the relevant ethical requirements that apply to the audit.
- A more limited description of the auditor’s responsibilities section is required.
- In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.

INDEPENDENT AUDITOR’S REPORT

...

Auditor’s Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Company’s financial statements in accordance with International Standards on Auditing (New Zealand) and to issue an auditor’s report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with Professional and Ethical Standard 1 (~~Revised~~) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

...

B.16 ISA (NZ) 706 Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report

Appendix 3
(Ref: Para. A17)

Illustration of an Auditor's Report that Includes a Key Audit Matters Section, an Emphasis of Matter Paragraph, and an Other Matter Paragraph

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of a complete set of financial statements of a FMC reporting entity considered to have a higher level of public accountability using a fair presentation framework. The audit is not a group audit (i.e., ISA (NZ) 600⁴⁰ does not apply).
- The financial statements are prepared by management of the entity in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) (a general purpose framework).
- The terms of the audit engagement reflect the description of the responsibilities of those charged with governance for the financial statements in ISA (NZ) 210.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- Professional and Ethical Standard 1-~~(Revised)~~ *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* comprises all relevant ethical requirements that apply to the audit.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ISA (NZ) 570 (Revised).
- Between the date of the financial statements and the date of the auditor's report, there was a fire in the entity's production facilities, which was disclosed by the entity as a subsequent event. In the auditor's judgement, the matter is of such importance that it is fundamental to users' understanding of the financial statements. The matter did not require significant auditor attention in the audit of the financial statements in the current period.
- Key audit matters have been communicated in accordance with ISA (NZ) 701.
- The auditor has obtained all of the other information prior to the date of the auditor's report and has not identified a material misstatement of the other information.
- Corresponding figures are presented, and the prior period's financial statements were audited by a predecessor auditor. The auditor is not prohibited by law or regulation from referring to the predecessor auditor's report on the corresponding figures and has decided to do so.

⁴⁰ ISA (NZ) 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

- In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.

INDEPENDENT AUDITOR'S REPORT

...

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1—~~(Revised)~~ International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

...

Illustration of an Auditor’s Report Containing a Qualified Opinion Due to a Departure from the Applicable Financial Reporting Framework and that Includes an Emphasis of Matter Paragraph

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of an entity other than a FMC reporting entity considered to have a higher level of public accountability using a fair presentation framework. The audit is not a group audit (i.e., ISA (NZ) 600 does not apply).
- The financial statements are prepared by management of the entity in accordance with NZ IFRS (a general purpose framework).
- The terms of the audit engagement reflect the description of the responsibilities of those charged with governance for the financial statements in ISA (NZ) 210.
- A departure from the applicable financial reporting framework resulted in a qualified opinion.
- Professional and Ethical Standard 1-~~(Revised)~~ *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* comprises all relevant ethical requirements that apply to the audit.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with ISA (NZ) 570 (Revised).
- Between the date of the financial statements and the date of the auditor’s report, there was a fire in the entity’s production facilities, which was disclosed by the entity as a subsequent event. In the auditor’s judgement, the matter is of such importance that it is fundamental to users’ understanding of the financial statements. The matter did not require significant auditor attention in the audit of the financial statements in the current period.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA (NZ) 701.
- The auditor has not obtained any other information prior to the date of the auditor’s report.
- In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.

INDEPENDENT AUDITOR’S REPORT

...

Basis for Qualified Opinion

The Company’s short-term marketable securities are carried in the statement of financial position at xxx. Management has not marked these securities to market but has instead stated them at cost, which constitutes a departure from NZ IFRS. The Company’s records indicate that had management marked the marketable securities to market, the Company would have recognised an

unrealised loss of xxx in the statement of comprehensive income for the year. The carrying amount of the securities in the statement of financial position would have been reduced by the same amount at December 31, 20X1, and income tax, net income and shareholders' equity would have been reduced by xxx, xxx and xxx, respectively.

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1-~~(Revised)~~ International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

...

B.17 ISA (NZ) 720 The Auditor's Responsibilities Relating to Other Information

4. This ISA (NZ) may also assist the auditor in complying with relevant ethical requirements⁴¹ that require the auditor to avoid being knowingly associated with information that the auditor believes contains a materially false or misleading statement, statements or information ~~furnished~~ provided recklessly, or omits or obscures required information ~~required to be included~~ where such omission or obscurity would be misleading.

A38. Remaining alert for other indications that the other information not related to the financial statements or the auditor's knowledge obtained in the audit appears to be materially misstated assists the auditor in complying with relevant ethical requirements that require the auditor to avoid being knowingly associated with other information that the auditor believes contains a materially false or misleading statement, a statement ~~furnished~~ provided recklessly, or omits or obscures necessary information such that the other information is misleading.⁴² Remaining alert for other indications that the other information appears to be materially misstated could potentially result in the auditor identifying such matters as:

- Differences between the other information and the general knowledge, apart from the knowledge obtained in the audit, of the engagement team member reading the other information that lead the auditor to believe that the other information appears to be materially misstated; or
- An internal inconsistency in the other information that leads the auditor to believe that the other information appears to be materially misstated.

⁴¹ Professional and Ethical Standard 1-~~(Revised)~~ International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand), paragraph ~~R111.2-110.2~~

⁴² Professional and Ethical Standard 1-~~(Revised)~~, paragraph ~~R111.2-110.2~~

B.18 ISA (NZ) 800 Special Considerations – Audits of Financial Statements Prepared Accordance with Special Purpose Frameworks

Appendix 1
(Ref: Para. A14)

Illustrations of Independent Auditor’s Reports on Special Purpose Financial Statements

- [NZ] Illustration 1: An auditor’s report on a complete set of financial statements of an entity other than a FMC reporting entity considered to have a higher level of public accountability prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).
- [NZ] Illustration 2: An auditor’s report on a complete set of financial statements of an entity other than a FMC reporting entity considered to have a higher level of public accountability prepared in accordance with the tax basis of accounting (for purposes of this illustration, a compliance framework).
- [NZ] Illustration 3: An auditor’s report on a complete set of financial statements of a FMC reporting entity considered to have a higher level of public accountability prepared in accordance with the financial reporting provisions established by a regulator (for purposes of this illustration, a fair presentation framework).

[NZ] Illustration 1: An auditor’s report on a complete set of financial statements of an entity other than a FMC reporting entity considered to have a higher level of public accountability prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- The financial statements have been prepared by management of the entity in accordance with the financial reporting provisions of a contract (that is, a special purpose framework). Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a compliance framework.
- An auditor’s report on the complete set of general purpose financial statements was not issued.
- The terms of the audit engagement reflect the description of the responsibilities of those charged with governance for the financial statements in ISA (NZ) 210.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit comprise of Professional and Ethical Standard 1 (~~Revised~~) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with ISA (NZ) 570 (Revised).
- Distribution and use of the auditor’s report are restricted.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA (NZ) 701.
- The auditor has determined that there is no other information (i.e., the requirements of ISA (NZ) 720 (Revised) do not apply).
- The auditor has no other reporting responsibilities required under local law or regulation.

INDEPENDENT AUDITOR’S REPORT

...

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1-~~(Revised)~~ *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. [The first and last sentences in this section used to be in the Auditor’s Responsibility section. Also, the Basis for Opinion section is positioned immediately after the Opinion section as required in ISA (NZ) 700 (Revised).]

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

...

[NZ] Illustration 2: An auditor's report on a complete set of financial statements of an entity other than a FMC reporting entity considered to have a higher level of public accountability prepared in accordance with the tax basis of accounting in New Zealand (for purposes of this illustration, a compliance framework).

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of a complete set of financial statements that have been prepared by management of a partnership in accordance with the tax basis of accounting in New Zealand (that is, a special purpose framework) to assist the partners in preparing their individual income tax returns. Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a compliance framework.
- The terms of the audit engagement reflect the description of the responsibilities of those charged with governance for the financial statements in ISA (NZ) 210.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit comprise Professional and Ethical Standard 1 (~~Revised~~) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ISA (NZ) 570 (Revised).
- Distribution of the auditor's report is restricted.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA (NZ) 701.
- The auditor has determined that there is no other information (i.e., the requirements of ISA (NZ) 720 (Revised) do not apply).
- The auditor has no other reporting responsibilities required under local law or regulation.

INDEPENDENT AUDITOR'S REPORT

...

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Partnership in accordance with Professional and Ethical Standard 1 (~~Revised~~) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we

have obtained is sufficient and appropriate to provide a basis for our opinion. [The first and last sentences in this section used to be in the Auditor’s Responsibility section. Also, the Basis for Opinion section is positioned immediately after the Opinion section as required in ISA (NZ) 700 (Revised).]

Other than in our capacity as auditor we have no relationship with, or interests in, the Partnership.

...

[NZ] Illustration 3: An auditor’s report on a complete set of financial statements of a FMC reporting entity considered to have a higher level of public accountability prepared in accordance with the financial reporting provisions established by a regulator (for purposes of this illustration, a fair presentation framework).

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of a FMC reporting entity considered to have a higher level of public accountability that have been prepared by management of the entity in accordance with the financial reporting provisions established by a regulator (that is, a special purpose framework) to meet the requirements of that regulator. Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a fair presentation framework.
- The terms of the audit engagement reflect the description of the responsibilities of those charged with governance for the financial statements in ISA (NZ) 210.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit comprise Professional and Ethical Standard 1 (~~Revised~~) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with ISA (NZ) 570 (Revised). The disclosure of the material uncertainty in the financial statements is adequate.
- Distribution or use of the auditor’s report is not restricted.
- The auditor is required by the regulator to communicate key audit matters in accordance with ISA (NZ) 701.
- The auditor has determined that there is no other information (i.e., the requirements of ISA (NZ) 720 (Revised) do not apply).
- The auditor has no other reporting responsibilities required under local law or regulation.

INDEPENDENT AUDITOR’S REPORT

...

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor’s*

Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1-(Revised) International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. [The first and last sentences in this section used to be in the Auditor’s Responsibility section. Also, the Basis for Opinion section is positioned immediately after the Opinion section as required in ISA (NZ) 700 (Revised).]

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

...

B.19 ISA (NZ) 805 Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

Appendix 2

(Ref: Para. A16)

Illustrations of Independent Auditor’s Reports on a Single Financial Statement and on a Specific Element of a Financial Statement

- [NZ] Illustration 1: An auditor’s report on a single financial statement of an entity other than a FMC reporting entity considered to have a higher level of public accountability prepared in accordance with a general purpose framework (for purposes of this illustration, a fair presentation framework).
- [NZ] Illustration 2: An auditor’s report on a single financial statement of an entity other than a FMC reporting entity considered to have a higher level of public accountability prepared in accordance with a special purpose framework (for purposes of this illustration, a fair presentation framework).
- [NZ] Illustration 3: An auditor’s report on a specific element of a financial statement of a FMC reporting entity considered to have a higher level of public accountability prepared in accordance with a special purpose framework (for purposes of this illustration, a compliance framework).

[NZ] Illustration 1: An auditor’s report on a single financial statement of an entity other than a FMC reporting entity considered to have a higher level of public accountability prepared in accordance with a general purpose framework (for purposes of this illustration, a fair presentation framework)

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a balance sheet (that is, a single financial statement) of an entity other than a FMC reporting entity considered to have a higher level of public accountability.
- The balance sheet has been prepared by management of the entity in accordance with the requirements of the applicable financial reporting framework issued by the New Zealand Accounting Standards Board relevant to preparing a balance sheet.
- The terms of the audit engagement reflect the description of the responsibilities of those charged with governance for the financial statements in ISA (NZ) 210.
- The applicable financial reporting framework is a fair presentation framework designed to meet the common financial information needs of a wide range of users.
- The auditor has determined that it is appropriate to use the phrase “presents fairly, in all material respects,” in the auditor’s opinion.
- Professional and Ethical Standard 1 (~~Revised~~) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* comprises all of the relevant ethical requirements that apply to the audit.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with ISA (NZ) 570 (Revised). The disclosure of the material uncertainty in the single financial statement is adequate.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA (NZ) 701 in the context of the audit of the balance sheet.
- The auditor has determined that there is no other information (i.e., the requirements of ISA (NZ) 720 (Revised) do not apply).
- The auditor has no other reporting responsibilities required under local law or regulation.

INDEPENDENT AUDITOR’S REPORT

...

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statement* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1 (~~Revised~~) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. [The first and last sentences in this section used to be in the Auditor’s Responsibility section. Also, the Basis for

Opinion section is positioned immediately after the Opinion section as required in ISA (NZ) 700 (Revised).]

Other than in our capacity as auditor we have no relationship with, or interests in, ABC Company.

...

[NZ] Illustration 2: An auditor's report on a single financial statement of an entity other than a FMC reporting entity considered to have a higher level of public accountability prepared in accordance with a special purpose framework.

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of a statement of cash receipts and disbursements (that is, a single financial statement) of an entity other than a FMC reporting entity considered to have a higher level of public accountability.
- An auditor's report on the complete set of financial statements was not issued.
- The financial statement has been prepared by management of the entity in accordance with the cash receipts and disbursements basis of accounting to respond to a request for cash flow information received from a creditor. Management has a choice of financial reporting frameworks.
- The applicable financial reporting framework is a fair presentation framework designed to meet the financial information needs of specific users.⁴³
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The auditor has determined that it is appropriate to use the phrase "presents fairly, in all material respects," in the auditor's opinion.
- Professional and Ethical Standard 1 (~~Revised~~) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* comprises all of the relevant ethical requirements that apply to the audit.
- Distribution or use of the auditor's report is not restricted.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ISA (NZ) 570 (Revised).
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA (NZ) 701 in the context of the audit of the statement of cash receipts and disbursements.
- The auditor has determined that there is no other information (i.e., the requirements of ISA (NZ) 720 (Revised) do not apply).
- The auditor has no other reporting responsibilities required under local law or regulation.

⁴³ ISA (NZ) 800 (Revised) contains requirements and guidance on the form and content of financial statements prepared in accordance with a special purpose framework.

INDEPENDENT AUDITOR'S REPORT

...

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statement* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1 (~~Revised~~) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. [The first and last sentences in this section used to be in the Auditor's Responsibility section. Also, the Basis for Opinion section is positioned immediately after the Opinion section as required in ISA (NZ) 700 (Revised).]

Other than in our capacity as auditor we have no relationship with, or interests in, ABC Company.

...

[NZ] Illustration 3: An auditor's report on a specific element of a financial statement of a FMC reporting entity considered to have a higher level of public accountability prepared in accordance with a special purpose framework.

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of an accounts receivable schedule (that is, element, account or item of a financial statement).
- The financial information has been prepared by management of the entity in accordance with the financial reporting provisions established by a regulator to meet the requirements of that regulator. Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a compliance framework designed to meet the financial information needs of specific users.⁴⁴
- The terms of the audit engagement reflect the description of the responsibilities of those charged with governance for the financial statements in ISA (NZ) 210.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- Professional and Ethical Standard 1 (~~Revised~~) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* comprises all of the relevant ethical requirements that apply to the audit.
- Distribution of the auditor's report is restricted.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ISA (NZ) 570 (Revised).

⁴⁴ ISA (NZ) 800 (Revised) contains requirements and guidance on the form and content of financial statements prepared in accordance with a special purpose framework.

- The auditor is not required, and has otherwise not decided to communicate key audit matters in accordance with ISA (NZ) 701 in the context of the audit of the accounts receivable schedule.
- The auditor has determined that there is no other information (i.e., the requirements of ISA (NZ) 720 (Revised) do not apply).
- The auditor has no other reporting responsibilities required under local law or regulation.

INDEPENDENT AUDITOR'S REPORT

...

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Schedule* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1-(Revised) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. [The first and last sentences in this section used to be in the Auditor's Responsibility section. Also, the Basis for Opinion section is positioned immediately after opinion section as required in ISA (NZ) 700 (Revised).]

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

...

Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the schedule is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this schedule.

Paragraph 41(b) of ISA (NZ) 700 (Revised) explains that the shaded material below can be located in an Appendix to the auditor's report.

Paragraph 41(c) explains that when law, regulation or ISAs (NZ) expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. Paragraph NZ A57.1 states that when the auditor refers to a description of the auditor's responsibilities on a website, the appropriate authority is the External Reporting Board and the website address is http://xrb.govt.nz/Site/Auditing_Assurance_Standards/default.aspx.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the schedule, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting

a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.⁴⁵
- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the schedule or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied~~related safeguards~~.

The engagement partner on the audit resulting in this independent auditor's report is [*name*].

[*Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate*]

[*Auditor address*] [*Placement of date and address reversed*)]

[*Date*]

⁴⁵ This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the schedule.

B.20 ISA (NZ) 810 Engagements to Report on Summary Financial Statements

A13. In reading the information included in a document containing the summary financial statements and the auditor's report thereon, the auditor may become aware that such information is misleading and may need to take appropriate action. Relevant ethical requirements⁴⁶ require the auditor to avoid being knowingly associated with information that the auditor believes contains a materially false or misleading statement, statements or information ~~furnished~~ provided recklessly, or omits or obscures required information ~~required to be included~~ where such omission or obscurity would be misleading.

B.21 ISRE (NZ) 2400 Review of Historical Financial Statements Performed by an Assurance Practitioner who is Not the Auditor of the Entity

17. For purposes of this ISRE (NZ), the following terms have the meanings attributed below:

...

- (i) *Relevant ethical requirements*—Ethical requirements the engagement team is subject to when undertaking review engagements, ~~These requirements~~ which ordinarily comprise the provisions of Professional and Ethical Standard 1 (Revised), *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*, related to a review of financial statements, together with relevant legal, regulatory or contractual requirements that are more restrictive.

...

27. Throughout the engagement, the engagement partner shall remain alert, through observation and making enquiries as necessary, for evidence of ~~non-compliance with~~ breaches of relevant ethical requirements by members of the engagement team. If matters come to the engagement partner's attention through the firm's system of quality control or otherwise that indicate that members of the engagement team have ~~not complied with~~ breached relevant ethical requirements, the engagement partner, in consultation with others in the firm, shall determine the appropriate action.

A15. ~~Part A of~~ Professional and Ethical Standard 1 (Revised) establishes the fundamental principles of ~~professional ethics, which are assurance practitioners must comply with, and provides a conceptual framework for applying those principles.~~ The fundamental principles are:

- (a) Integrity;
- (b) Objectivity;
- (c) Professional competence and due care;
- (d) Confidentiality; and
- (e) Professional behaviour.

⁴⁶ Professional and Ethical Standard 1, ~~(Revised)~~ *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, paragraph R111.24+0.2.

The fundamental principles of ethics establish the standard of behaviour expected of an assurance practitioner. Part B of Professional and Ethical Standard 1 (Revised) illustrates how the conceptual framework is to be applied in specific situations. In complying with Professional and Ethical Standard 1 (Revised), threats to the assurance practitioner's compliance with relevant ethical requirements are required to be identified and appropriately addressed.

Professional and Ethical Standard 1 provides a conceptual framework that establishes the approach which an assurance practitioner is required to apply when identifying, evaluating and addressing threats to compliance with the fundamental principles. In the case of audits, reviews and other assurance engagements, Professional and Ethical Standard 1 set out *International Independence Standards (New Zealand)*, established by the application of the conceptual framework to threats to independence in relation to those engagements.

NZA88.1 The assurance practitioner may have additional responsibilities under law, regulation or relevant ethical requirements regarding an entity's non-compliance with laws and regulations, including fraud, which may differ from or go beyond this ISRE (NZ), such as:

- (a) Responding to identified or suspected non-compliance with laws and regulations, including requirements in relation to specific communications with management and those charged with governance and determining whether further action is needed;
- (b) Communicating identified or suspected non-compliance with laws and regulations to an auditor, for example a group engagement partner;⁴⁷ and
- (c) Documentation requirements regarding identified or suspected non-compliance with laws and regulations.

Complying with any additional responsibilities may provide further information that is relevant to the assurance practitioner's work in accordance with this ISRE (NZ) (e.g., regarding the integrity of management or, where appropriate, those charged with governance).

NZA95.1 In some cases the relevant ethical requirements may require the assurance practitioner to report or to consider whether reporting identified or suspected fraud or non-compliance with laws and regulations to an appropriate authority outside the entity is an appropriate action in the circumstances. For example, Professional and Ethical Standard 1 ~~(Revised)~~ requires the assurance practitioner to take steps to respond to identified or suspected non-compliance with laws and regulations, and determine whether further action is needed, which may include reporting to an appropriate authority outside the entity.⁴⁸ Professional and Ethical Standard 1 ~~(Revised)~~ explains that such reporting would not be considered a breach of the duty of confidentiality under Professional and Ethical Standard 1.⁴⁹

⁴⁷ See, for example, paragraphs NZ R360.16.1-360.18 A1 ~~Sections NZ225.17.1 NZ225.17.5~~ of Professional and Ethical Standard 1 ~~(Revised)~~

⁴⁸ See, for example, paragraphs R360.19-360.24 A1 ~~Section 225.29~~ of Professional and Ethical Standard 1 ~~(Revised)~~.

⁴⁹ See, for example, paragraphs R114.1, 114.1 A1 and R360.26 ~~Section 140.7 and Section 225.35~~ of Professional and Ethical Standard 1 ~~(Revised)~~.

B.22 ISAE (NZ) 3000 (Revised) Assurance Engagements Other than Audits of Historical Financial Information

3. This ISAE (NZ) is premised on the basis that:
 - (a) The members of the engagement team and the engagement quality control reviewer (for those engagements where one has been appointed) are subject to the provisions of Professional and Ethical Standard 1—(Revised)⁵⁰ International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) related to assurance engagements, or other professional requirements, or requirements in law or regulation, that are at least as demanding; and (Ref: Para. A30-A34)
 - (b) The assurance practitioner who is performing the engagement is a member of a firm that is subject to Professional and Ethical Standard 3 (Amended)⁵¹ or other professional requirements, or requirements in law or regulation, regarding the firm’s responsibility for its system of quality control, that are at least as demanding as Professional and Ethical Standard 3 (Amended). (Ref: Para. A61–A66)
20. The assurance practitioner shall comply with the provisions of Professional and Ethical Standard 1—(Revised)⁵² related to assurance engagements, or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding. (Ref: Para. A30-A34, A60)
34. Throughout the engagement, the lead assurance practitioner shall remain alert, through observation and making enquiries as necessary, for evidence of breaches of non-compliance ~~with~~ relevant ethical requirements by members of the engagement team. If matters come to the lead assurance practitioner’s attention through the firm’s system of quality control or otherwise that indicate that members of the engagement team have breached not complied ~~with~~ relevant ethical requirements, the lead assurance practitioner, in consultation with others in the firm, shall determine the appropriate action.
69. The assurance report shall include, at a minimum, the following basic elements:
...
 - (j) A statement that the assurance practitioner complies with the independence and other ethical requirements of Professional and Ethical Standard 1—(Revised), or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding as the provisions of Professional and Ethical Standard 1—(Revised) related to assurance engagements. If the assurance practitioner is not a member of a professional accounting body in public practice, the statement shall identify the professional requirements, or requirements imposed by law or regulation, applied that are at least as demanding as the provisions of Professional and Ethical Standard 1

⁵⁰ ~~Professional and Ethical Standard 1 (Revised)—Code of Ethics for Assurance Practitioners~~

⁵¹ Professional and Ethical Standard 3 (Amended) “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements.”

⁵² In Professional and Ethical Standard 1—(Revised) the term “engagement partner” should be read as referring to “lead assurance practitioner”.

~~(Revised)~~ related to assurance engagements. (Ref: Para. A173)

...

A30. Professional and Ethical Standard 1—~~(Revised)~~ establishes the following fundamental principles of ethics, which are with which the assurance practitioner is required to comply:

- (a) Integrity;
- (b) Objectivity;
- (c) Professional competence and due care;
- (d) Confidentiality; and
- (e) Professional behaviour.

The fundamental principles of ethics establish the standard of behaviour expected of an assurance practitioner.

A31. Professional and Ethical Standard 1—~~(Revised)~~ also provides a conceptual framework which the assurance practitioner is required to apply when addressing threats to compliance with the fundamental principles, including for assurance practitioners to apply to:

- (a) Identify threats to compliance with the fundamental principles. Threats fall into one or more of the following categories:
 - (i) Self-interest;
 - (ii) Self-review;
 - (iii) Advocacy;
 - (iv) Familiarity; and
 - (v) Intimidation;
- (b) Evaluating whether the significance of the threats identified are at an acceptable level; and
- (c) If the identified threats to compliance with the fundamental principles are not at an acceptable level, addressing them by eliminating the circumstances that create the threats, applying safeguards to reduce threats to an acceptable level, or withdrawing from the engagement, where withdrawal is possible under applicable law or regulation. Apply safeguards, when necessary, to eliminate the threats or reduce them to an acceptable level. Safeguards are necessary when the assurance practitioner determines that the threats are not at a level at which a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances available to the assurance practitioner at that time, that compliance with the fundamental principles is not compromised.

A32. ~~Part B of~~ Professional and Ethical Standard 1—~~(Revised)~~ sets out requirements and application material on various topics, describes how the conceptual framework in Part A applies in certain situations to assurance practitioners, including:

- ~~Professional appointment;~~

- Conflicts of interest;
- Professional appointments;
- Second opinions;
- Fees and other types of remuneration;
- ~~Marketing professional services;~~
- Inducements, including gGifts and hospitality;
- Custody of client assets; and
- Responding to non-compliance with laws and regulations.
- ~~Objectivity; and~~
- ~~Independence.~~

A33. Professional and Ethical Standard 1 also includes the *International Independence Standards (New Zealand)*. Professional and Ethical Standard 1–(Revised) defines independence as comprising both independence of mind and independence in appearance. Independence safeguards the ability to form an assurance conclusion without being affected by influences that might compromise that conclusion. Independence enhances the ability to act with integrity, to be objective and to maintain an attitude of professional scepticism. Matters addressed in Professional and Ethical Standard 1–(Revised) with respect to independence include, for example:

- Fees;
- Gifts and hospitality;
- Actual or threatened litigation;
- Financial interests;
- Loans and guarantees;
- Business relationships;
- Family and personal relationships;
- ~~Employment with assurance clients;~~
- Recent service with an assurance client;
- Serving as a director or officer of an assurance client;
- Employment with assurance clients;
- Long association of ~~senior~~ personnel with an assurance clients;
- Provision of non-assurance services to an assurance clients; and
- Reports that include a restriction on use and distribution. Fees (relative size, overdue, and contingent fees);
- ~~Gifts and hospitality; and~~
- ~~Actual or threatened litigation.~~

A34. Professional requirements, or requirements imposed by law or regulation, are at least as demanding as the provisions of Professional and Ethical Standard 1 (Revised) related to assurance engagements when they address all the matters referred to in paragraphs A30–A33 and impose obligations that achieve the aims of the requirements set out in Professional and Ethical Standard 1 (Revised) related to such engagements.

A68. Professional and Ethical Standard 1 (Revised) provides requirements and guidance on the self-interest threat to compliance with the principle of professional competence and due care that is created if the engagement team does not possess, or cannot acquire, the competencies to perform the professional services ~~requires the assurance practitioner to agree to provide only those services that the assurance practitioner is competent to perform~~⁵³. The assurance practitioner has sole responsibility for the assurance conclusion expressed, and that responsibility is not reduced by the assurance practitioner's use of the work of an assurance practitioner's expert. Nonetheless, if the assurance practitioner using the work of an assurance practitioner's expert, having followed this ISAE (NZ), concludes that the work of that expert is adequate for the assurance practitioner's purposes, the assurance practitioner may accept that expert's findings or conclusions in the expert's field as appropriate evidence.

NZA102.1 The assurance practitioner may have additional responsibilities under law, regulation or relevant ethical requirements regarding an entity's non-compliance with laws and regulations, which may differ from or go beyond the assurance practitioner's responsibilities under this ISAE (NZ), such as:

- (a) Responding to identified or suspected non-compliance with laws and regulations, including requirements in relation to specific communications with management and those charged with governance and determining whether further action is needed;
- (b) Communicating identified or suspected non-compliance with laws and regulations to an auditor;⁵⁴ and
- (c) Documentation requirements regarding identified or suspected non-compliance with laws and regulations.

Complying with any additional responsibilities may provide further information that is relevant to the assurance practitioner's work in accordance with this and any other ISAE (NZ) or SAE (e.g., regarding the integrity of the responsible party or those charged with governance). Paragraphs A194-A199 further address the assurance practitioner's responsibilities under law, regulation or relevant ethical requirements regarding communicating and reporting identified or suspected non-compliance with laws and regulations.

A128. The evaluation of whether the threats to objectivity are at an acceptable level ~~the significance of threats to objectivity and of whether there is a need for safeguards~~ may depend upon the role of the assurance practitioner's expert and the significance of the expert's work in the context of the engagement. In some cases it may not be possible to eliminate circumstances that create threats or apply safeguards to reduce threats to an acceptable level ~~There may be~~

⁵³ Professional and Ethical Standard 1 (Revised), paragraph 320.3 A3240.6

⁵⁴ See, for example, paragraphs NZR360.31.1-360.35 A1 Sections NZ225.17.1 NZ225.17.5 of Professional and Ethical Standard 1 (Revised).

~~some circumstances in which safeguards cannot reduce threats to an acceptable level~~, for example, if a proposed assurance practitioner's expert is an individual who has played a significant role in preparing the subject matter information.

A173. The following is an illustration of a statement in the assurance report regarding compliance with ethical requirements:

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 ~~(Revised)~~ International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

A195. Law, regulation or relevant ethical requirements may:

- (a) Require the assurance practitioner to report identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity.
- (b) Establish responsibilities under which reporting to an appropriate authority outside the entity may be appropriate in the circumstances.⁵⁵

A198. In some circumstances, the reporting of identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity may be precluded by the assurance practitioner's duty of confidentiality under law, regulation, or relevant ethical requirements. In other cases, reporting identified or suspected non-compliance to an appropriate authority outside the entity would not be considered a breach of the duty of confidentiality under the relevant ethical requirements.⁵⁶

A199. The assurance practitioner may consider consulting internally (e.g., within the firm or network firm), obtaining legal advice to understand the professional or legal implications of taking any particular course of action, or consulting on a confidential basis with a regulator or a professional body (unless doing so is prohibited by law or regulations or would breach the duty of confidentiality).⁵⁷

B.23 ISAE (NZ) 3402 Assurance Reports on Controls at a Service Organisation

6. Compliance with ISAE (NZ) 3000 (Revised) requires, among other things, compliance with the provisions of Professional and Ethical Standard 1 ~~(Revised)~~⁵⁸ International Code of

⁵⁵ See, for example, paragraphs R360.36-R360.37~~Section 225.29~~ of Professional and Ethical Standard 1 ~~(Revised)~~.

⁵⁶ See, for example, paragraphs R114.1, 114.1 A1 and R360.37~~Section 140.7 and Section 225.35~~ of Professional and Ethical Standard 1 ~~(Revised)~~.

⁵⁷ See, for example, paragraph 360.36 A1~~Section 225.32~~ of Professional and Ethical Standard 1 ~~(Revised)~~.

⁵⁸ ~~Professional and Ethical Standard (PES) 1 (Revised)~~, "Code of Ethics for Assurance Practitioners". In ~~PES 1 (Revised)~~ Professional and Ethical Standard 1, the term "engagement partner" should be read as referring to "lead assurance practitioner."

Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand), issued by the New Zealand Auditing and Assurance Standards Board, or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding⁵⁹. It also requires the lead assurance practitioner⁶⁰ to be a member of a firm that applies Professional and Ethical Standard 3 (Amended) or requirements that are at least as demanding.⁶¹

11. The service auditor shall comply with the provisions of Professional and Ethical Standard 1 (Revised), relating to assurance engagements or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding. (Ref: Para. A5)

53. The service auditor's assurance report shall include, at a minimum, the following basic elements: (Ref: Para. A47)

...

(i) A statement that the assurance practitioner complies with the independence and other ethical requirements of Professional and Ethical Standard 1 ~~(Revised)~~, or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding as the provisions of Professional and Ethical Standard 1 (Revised) related to assurance engagements. If the assurance practitioner is not a professional accountant, the statement shall identify the professional requirements, or requirements imposed by law or regulation, applied that are at least as demanding as the provisions of Professional and Ethical Standard 1 ~~(Revised)~~ related to assurance engagements.

...

A5. The service auditor is subject to relevant independence requirements, which ordinarily comprise the *International Independence Standards (New Zealand)*, ~~in~~ of Professional and Ethical Standard 1 ~~(Revised)~~. In performing an engagement in accordance with this ISAE (NZ), Professional and Ethical Standard 1 ~~(Revised)~~ does not require the service auditor to be independent from each user entity.

A44. Professional and Ethical Standard 1 ~~(Revised)~~ requires that a service auditor ~~must not make, prepare or certify, or permit or direct another person to make, prepare or certify, any statement which the service auditor knows, believes or ought to know to be false, incorrect or misleading, or open to misconstruction, by reason of the misstatement, omission or suppression of a material fact or otherwise~~ not be associated with information where the service auditor believes that the information:

- (a) Contains a materially false or misleading statement;
- (b) Contains statements or information provided recklessly; or

⁵⁹ ISAE (NZ) 3000 (Revised), paragraphs 3(a), 20 and 34.

⁶⁰ The term "lead assurance practitioner" is referred to in Professional and Ethical Standard 3 (Amended) as the "engagement partner."

⁶¹ ISAE (NZ) 3000 (Revised), paragraph 3(b) and 31(a). Professional and Ethical Standard 3 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements (Amended)".

- (c) Omits or obscures required information where such omission or obscurity would be misleading.⁶²

If other information included in a document containing the service organisation's description of its system and the service auditor's assurance report contains future-oriented information such as recovery or contingency plans, or plans for modifications to the system that will address deviations identified in the service auditor's assurance report, or claims of a promotional nature that cannot be reasonably substantiated, the service auditor may request that information be removed or restated.

A53. Appropriate actions to respond to the circumstances identified in paragraph 56, unless prohibited by law or regulation, may include:

- Obtaining legal advice about the consequences of different courses of action.
- Communicating with those charged with governance of the service organisation.
- Determining whether to communicate with third parties (e.g., law, regulation or relevant ethical requirements may require the service auditor to report to an appropriate authority outside the entity or the external auditor of the service organisation,⁶³ or establish responsibilities under which such reporting may be appropriate in the circumstances).
- Modifying the service auditor's opinion, or adding an Other Matter paragraph.
- Withdrawing from the engagement.

⁶² Professional and Ethical Standard 1 (~~Revised~~), paragraph R111.2-110.2.

⁶³ See, for example, paragraphs NZR360.31.1-360.35 A1 Sections NZ225.17.1 NZ225.17.5 of Professional and Ethical Standard 1 (~~Revised~~).

Example Service Auditor’s Assurance Reports

The following examples of reports are for guidance only and are not intended to be exhaustive or applicable to all situations.

Example 1: Type 2 Service Auditor’s Assurance Report

Independent Service Auditor’s Assurance Report on the Description of Controls, their Design and Operating Effectiveness

To: XYZ Service Organisation

...

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of ~~the~~ Professional and Ethical Standard 1 ~~(Revised)~~ International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3 (Amended)⁶⁴ and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

...

B.24 ISAE (NZ) 3410 Assurance Engagements on Greenhouse Gas Statements

10. Compliance with ISAE (NZ) 3000 (Revised) requires, among other things, compliance with the provisions of Professional and Ethical Standard 1 ~~(Revised)~~⁶⁵ International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by New Zealand Auditing and Assurance Standards Board related to assurance engagements, or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding.⁶⁶ It also requires the lead assurance

⁶⁴ Professional and Ethical Standard 3 (Amended), “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements”.

⁶⁵ ~~Professional and Ethical Standard 1 (Revised), “Code of Ethics for Assurance Practitioners”~~. In Professional and Ethical Standard 1 ~~(Revised)~~, the term “engagement partner” should be read as referring to “lead assurance practitioner.”

⁶⁶ ISAE (NZ) 3000 (Revised), paragraph 3(a), 20 and 34.

practitioner⁶⁷ to be a member of a firm that applies Professional Ethical Standard 3 (Amended)⁶⁸, or other professional requirements, or requirements in law or regulation, that are at least as demanding as Professional Ethical Standard 3 (Amended). (Ref: Para. A5–A6)

76. The assurance report shall include, at a minimum, the following basic elements: (Ref: Para. A134)

...

(j) A statement that the assurance practitioner complies with the independence and other ethical requirements of ~~the~~ Professional and Ethical Standard 1–(Revised), or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding as the provisions of Professional and Ethical Standard 1 (Revised) related to assurance engagements. If the assurance practitioner is not a professional accountant, the statement shall identify the professional requirements, or requirements imposed by law or regulation, applied that are at least as demanding as the provisions Professional and Ethical Standard 1–(Revised) related to assurance engagements.

A5. Professional and Ethical Standard 1–(Revised) sets out *International Independence Standards (New Zealand)* established by the application of the conceptual framework to threats to independence in relation to these engagements. ~~adopts a threats and safeguards approach to independence~~. Compliance with the fundamental principles may potentially be threatened by a broad range of circumstances. Many threats fall into the following categories:

- Self-interest, for example, undue dependence on total fees from the entity.
- Self-review, for example, performing another service for the entity that directly affects the GHG statement, such as involvement in the quantification of the entity’s emissions.
- Advocacy, for example, acting as an advocate on behalf of the entity with respect to the interpretation of the applicable criteria.
- Familiarity, for example, a member of the engagement team having a long association, or close or immediate family relationship, with an employee of the entity who is in a position to exert direct and significant influence over the preparation of the GHG statement.
- Intimidation, for example, being pressured to reduce inappropriately the extent of work performed in order to lower fees, or being threatened with withdrawal of the assurance practitioner’s registration by a registering authority that is associated with the entity’s industry group.

⁶⁷ The term the “lead assurance practitioner” is referred to in Professional and Ethical Standard 3 (Amended) as the “engagement partner”.

⁶⁸ ISAE (NZ) 3000 (Revised) 3(b) and 31(a). Professional Ethical Standard 3 (Amended) “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements (Amended).”

- A6. ~~Safeguards created by the profession, law or regulation, or safeguards in the work environment, may eliminate or reduce such threats to an acceptable level~~ In cases when identified threats are not at an acceptable level, Professional and Ethical Standard 1 requires that the threats be addressed by eliminating the circumstances that create the threats, applying safeguards to reduce threats to an acceptable level, or withdrawing from the engagement, where withdrawal is possible under applicable law or regulation.

Appendix 2

(Ref: Para. A134)

Illustrations of Assurance Reports on GHG Statements

Illustration 1:

Circumstances include the following:

- **Reasonable assurance engagement.**
- **The entity's GHG statement contains no Scope 3 emissions.**
- **The entity's GHG statement contains no emissions deductions.**
- **The GHG statement contains no comparative information.**

The following illustrative report is for guidance only and is not intended to be exhaustive or applicable to all situations.

INDEPENDENT REASONABLE ASSURANCE REPORT ON ABC'S GREENHOUSE GAS (GHG) STATEMENT

...

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 ~~(Revised)~~ *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3 (Amended)⁶⁹ and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

...

⁶⁹ Professional Ethical Standard 3 (Amended) "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements (Amended)".

B.25 ISAE (NZ) 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus

8. Compliance with ISAE (NZ) 3000 (Revised) requires, among other things, compliance with the provisions of Professional and Ethical Standard 1–(Revised)⁷⁰ *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board related to assurance engagements, or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding⁷¹. It also requires the lead assurance practitioner⁷² to be a member of a firm that applies Professional Ethical Standard 3 (Amended)⁷³, or other professional requirements, or requirements in law or regulation, that are at least as demanding as Professional and Ethical Standard 3 (Amended).
35. The assurance practitioner’s report shall include, at a minimum, the following basic elements: (Ref: Para. A57)
- ...
- (h) A statement that the assurance practitioner complies with the independence and other ethical requirements of ~~the~~ Professional and Ethical Standard 1–(Revised), or other professional requirements, or requirements imposed by law ~~or~~ and regulation, that are at least as demanding as the provisions of Professional and Ethical Standard 1 (Revised)–related to assurance engagements. If the assurance practitioner is not a professional accountant, the statement shall identify the professional requirements, or requirements imposed by law or regulation, applied that are at least as demanding as the provisions of Professional and Ethical Standard 1–(Revised) related to assurance engagements.
- ...
- A10. Professional and Ethical Standard 1–(Revised) requires the assurance practitioner to comply with the principle of professional competence and due care by attaining and maintaining appropriate professional knowledge and skill, including an awareness and understanding of relevant technical, professional and business developments, in order to provide competent professional service, based on standards issued by the External Reporting Board, the New Zealand Auditing and Assurance Standards Board and the New Zealand Accounting Standards Board and relevant legislation, and acting diligently and in accordance with such standards.⁷⁴ In the context of this requirement of Professional and Ethical Standard 1

⁷⁰ ~~Professional and Ethical Standard 1 (Revised), “Code of Ethics for Assurance Practitioners”~~. In PES 1–(Revised) Professional and Ethical Standard 1, the term “engagement partner” should be read as referring to “lead assurance practitioner.”

⁷¹ ISAE (NZ) 3000 (Revised), paragraphs 3(a), 20 and 34.

⁷² The term lead assurance practitioner is referred to in Professional and Ethical Standard 3 as the “engagement partner”.

⁷³ ISAE (NZ) 3000 (Revised), paragraphs 3(b) and 31(a). Professional Ethical Standard 3 (Amended), “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements”

⁷⁴ Professional and Ethical Standard 1–(Revised), paragraphs ~~82, 83, 91, 93, 95 and 97~~ R113.1.

~~(Revised)~~, ~~relevant capabilities and~~ professional competence to perform the engagement ~~also may include matters such as the following:~~

- Knowledge and experience of the industry in which the entity operates;
- An understanding of the relevant securities laws and regulations and related developments;
- An understanding of the listing requirements of the relevant securities exchange and of capital market transactions such as mergers, acquisitions and securities offerings;
- Familiarity with the process of preparing a prospectus and listing securities on the securities exchange; and
- Knowledge of the financial reporting frameworks used in the preparation of the sources from which the unadjusted financial information and, if applicable, the acquiree's financial information have been extracted.

A41. Professional and Ethical Standard 1 ~~(Revised)~~ requires that an assurance practitioner not knowingly be associated with reports, returns, communications or other information that the assurance practitioner believes:⁷⁵

- (a) Contain a materially false or misleading statement;
- (b) Contain statements or information ~~furnished~~provided recklessly; or
- (c) Omit or obscure required information ~~required to be included~~ where such omission or obscurity would be misleading.

Appendix
(Ref: Para. A57)

Illustrative Assurance Practitioner's Report with an Unmodified Opinion

INDEPENDENT ASSURANCE PRACTITIONER'S ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN A
PROSPECTUS

...

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of ~~the~~ Professional and Ethical Standard 1 ~~(PES 1 (Revised))~~ *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

⁷⁵ Professional and Ethical Standard 1 ~~(Revised)~~, paragraph R111.224.

The firm applies Professional and Ethical Standard 3 (Amended)⁷⁶ and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

...

B26: External Reporting Board Standard Au1 Application of Auditing and Assurance Standards

Appendix 1

Professional and Ethical Standards

This appendix is an integral part of the Standard.

This appendix lists the Professional and Ethical Standards to be applied in preparing for and conducting all assurance engagements.

- PES 1 ~~(Revised)~~ International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)
- PES 3 (Amended) Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements

B27: New Zealand Auditing Standard 1 The Audit of Service Performance Information

A18 The service performance information may include information upon which another practitioner may have expressed an opinion. The auditor may decide to use the evidence on which that other practitioner's opinion is based to provide evidence regarding the service performance information included in the general purpose financial report. The work of another practitioner may be used in relation to service performance information that falls outside the boundary of the reporting entity. Such practitioners are not part of the engagement team. Relevant considerations when the engagement team plans to use the work of another auditor may include:

- (a) Whether the auditor understands and complies with the requirements of Professional and Ethical Standard 1⁷⁷.
- (b) The other practitioner's professional competence.

⁷⁶ Professional and Ethical Standard 3 (Amended), "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements".

⁷⁷ Professional and Ethical Standard 1, International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)

(c) The extent of the engagement teams' involvement in the work of the other practitioner.

Illustrative Auditor’s Report Including Service Performance Information

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- **Audit of a general purpose financial report/performance report of a public benefit entity that is not a FMC reporting entity considered to have a higher level of public accountability using a fair presentation framework⁷⁸. The audit is not a group audit (i.e., ISA (NZ) 600 does not apply).**
- **The general purpose financial report/performance report is prepared by management of the entity in accordance with a general purpose framework.**
- **The terms of the audit engagement reflect the description of the responsibilities of those charged with governance for the general purpose financial report/performance report in ISA (NZ) 210.**
- **The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.**
- **Professional and Ethical Standard 1 (~~Revised~~) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* comprises all of the relevant ethical requirements that apply to the audit.**
- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with ISA (NZ) 570 (Revised).**
- **The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA (NZ) 701.**
- **The auditor has obtained all of the other information prior to the date of the auditor’s report and has not identified a material misstatement of the other information.**
- **The auditor has no other reporting responsibilities required under local law.**

INDEPENDENT AUDITOR’S REPORT

...

Basis for Opinion

We conducted our audit of the [*financial statements*] in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and the audit of the service performance information in accordance with the ISAs and New Zealand Auditing Standard (NZ AS) 1 *The Audit of Service Performance Information* (NZ). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the [General Purpose Financial Report/Performance Report]*

⁷⁸ The general purpose financial report may be referred to as a performance report and include entity information, according to the requirements of the applicable financial reporting framework.

section of our report. We are independent of the [entity] in accordance with Professional and Ethical Standard 1 ~~(Revised)~~ International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the [entity].

...

Appendix 7

(Ref: Para. A76)

Illustrations of Auditor's Reports with Modifications to the Opinion with Respect to the Service Performance Information

- Illustration 1: An auditor's report containing an unmodified opinion on the financial statements and a qualified opinion due to a material misstatement of the service performance information.
- Illustration 2: An auditor's report containing an unmodified opinion on the financial statements and an adverse opinion due to a material misstatement of the service performance information.
- Illustration 3: An auditor's report containing an unmodified opinion on the financial statements and a qualified opinion due to the auditor's inability to obtain sufficient appropriate audit evidence about a single element of the service performance information.
- Illustration 4: An auditor's report containing a qualified opinion on both the financial statements and the service performance information due to the auditor's inability to obtain sufficient appropriate audit evidence about a single element of the financial statements.

Illustration 1: An auditor’s report containing an unmodified opinion on the financial statements and a qualified opinion due to a material misstatement of the service performance information

INDEPENDENT AUDITOR’S REPORT

...

Basis for Qualified Opinion on the Service Performance Information

[As reported in the service performance information on page xx, the entity has identified its service performance as [*describe improvements reported or description of the difference that the entity has made*] and measured this performance by [list performance measures and/or descriptions reported] to report its service performance. The entity has not been able to provide evidence of its role in those particular improvements and therefore should not have reported this improvement.]

We conducted our audit of the [*financial statements*] in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and the audit of the service performance information in accordance with the ISAs (NZ) and New Zealand Auditing Standard 1 *The Audit of Service Performance Information*. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the [General Purpose Financial Report/Performance Report]* section of our report. We are independent of the [*entity*] in accordance with Professional and Ethical Standard 1 ~~(Revised)~~ *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the [*entity*].

...

Illustration 2: An auditor’s report containing an unmodified opinion on the financial statements and an adverse opinion due to a material misstatement of the service performance information

INDEPENDENT AUDITOR’S REPORT

...

Basis for Adverse Opinion on the Service Performance Information

[As reported in the service performance information on pages ..., the entity has identified its service performance to include [list appropriate goods and services] and measured and evaluated this performance with reference to [describe performance measures and/or descriptions reported] to report its service performance. We do not consider that these performance measures will enable a meaningful assessment of the service performance of the entity for the year ended December 31, 20X1 to be made. Had the entity identified more meaningful performance measures, the service performance information would have been materially affected, reporting performance measures including xxx and linking to its responsibility for yyyy.]

We conducted our audit of the [*financial statements*] in accordance with International Standards on

Auditing (New Zealand) (ISAs (NZ)) and the audit of the service performance information in accordance with the ISAs (NZ) and New Zealand Auditing Standard 1 *The Audit of Service Performance Information*. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the [General Purpose Financial Report/Performance Report]* section of our report. We are independent of the [entity] in accordance with Professional and Ethical Standard 1 ~~(Revised)~~ *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the [entity].

...

Illustration 3: An auditor's report containing an unmodified opinion on the financial statements and a qualified opinion due to the auditor's inability to obtain sufficient appropriate audit evidence about a single element of the service performance information

INDEPENDENT AUDITOR'S REPORT

...

Basis for Qualified Opinion on the Service Performance Information

[Some significant performance measures of the entity, rely on information from third parties, such as (*give examples*). The entity's control over much of this information is limited, and there are no practical audit procedures to determine the effect of this limited control. For example, [*describe performance measure and explain where information comes from that we are unable to independently test.*]]

We conducted our audit of the [*financial statements*] in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and the audit of the service performance information in accordance with the ISAs (NZ) and New Zealand Auditing Standard 1 *The Audit of Service Performance Information*. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the [General Purpose Financial Report/Performance Report]* section of our report. We are independent of the [entity] in accordance with Professional and Ethical Standard 1 ~~(Revised)~~ *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the [entity].

...

Illustration 4: Qualified opinion on both the financial statements and the service performance information due to the auditor’s inability to obtain sufficient appropriate audit evidence about a single element of the financial statements

INDEPENDENT AUDITOR’S REPORT

...

Basis for Qualified Opinion

[As outlined on page xx of the [*general purpose financial report/ performance report*], [entity] has not applied the requirements of the [*Public Benefit Entity Standards/Public Benefit Entity Simple Format Reporting – Accrual (Not-for-profit)*] to its grant expenditure. We have been unable to obtain sufficient audit evidence to quantify the effects of this limitation. As a result of this matter, we were unable to quantify the adjustments that are necessary in respect of grant expenditure in the [*statement of comprehensive revenue and expenses*]; assets, liabilities and equity in the statement of financial position, [*total comprehensive revenue and expense*] and opening and closing equity in the [*statement of changes in equity*] and grants expense reported in the [*service performance information/statement of service performance*].]

We conducted our audit of the [*financial statements*] in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and the audit of the service performance information in accordance with the ISAs (NZ) and New Zealand Auditing Standard 1 *The Audit of Service Performance Information*. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the [General Purpose Financial Report/Performance Report]* section of our report. We are independent of the [entity] in accordance with Professional and Ethical Standard 1 ~~(Revised)~~ *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the [entity].

...

B28: SAE 3100 Assurance Engagements on Compliance

9. Compliance with ISAE (NZ) 3000 (Revised) requires, among other things, ~~that the assurance practitioner comply~~ compliance with the provisions of Professional and Ethical Standard 1 ~~(Revised)~~⁷⁹ *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* related to assurance engagements, or other professional requirements, or requirements in law or regulation, that are at least as demanding ~~related to assurance engagements~~⁸⁰. It also requires the lead assurance

⁷⁹ Professional and Ethical Standard 1 ~~(Revised)~~ *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*.

⁸⁰ See ISAE (NZ) 3000 (Revised), paragraphs 3(a) and 20.

practitioner⁸¹ to be a member of a firm that applies Professional and Ethical Standard 3 (Amended)⁸² or requirements in law or regulation, that are at least as demanding related to assurance engagements.

19. As required by ISAE (NZ) 3000 (Revised), the assurance practitioner shall comply with Professional and Ethical Standard 1-(Revised)⁸³, or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding. (Ref: Para. A6)
 46. If the assurance practitioner becomes aware of information concerning an instance of non-compliance or suspected non-compliance with respect to laws and regulations, the assurance practitioner shall comply with Professional and Ethical Standard 1-(Revised), or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding. (Ref. Para. A65)
- A19. Where relevant, the terms of the engagement could also include a reference to, and description of, the auditor’s responsibility in accordance with:
- Professional and Ethical Standard 1-(Revised); and/or
 - applicable law or regulation, and
 - obligations to report identified or suspected matters of non-compliance with laws and regulations to an appropriate authority outside the entity is required or appropriate in the circumstances.
- A65. Professional and Ethical Standard 1-(Revised)⁸⁴, sets out the approach to be taken by an assurance practitioner who encounters or is made aware of matter(s) of non-compliance or suspected matter(s) of non-compliance with laws or regulations. In these circumstances, the assurance practitioner shall consider the appropriate response to the identified matter(s) of non-compliance with laws and regulations in accordance with Professional and Ethical Standard 1-(Revised).

B29: SAE 3150 Assurance Engagements on Controls

9. Compliance with ISAE (NZ) 3000 (Revised) requires, among other things, that the assurance practitioner complies with the provisions of Professional and Ethical Standard 1 (Revised)⁸⁵ *International Code of Ethics for Assurance Engagements (including International Independence Standards) (New Zealand)* related to assurance engagements or other professional requirements, or requirements in law or regulation, that are at least as demanding ~~related to assurance engagements~~⁸⁶. It also requires the lead assurance

81 The term “lead assurance practitioner” is referred to in Professional and Ethical Standard 1-(Revised) and Professional and Ethical Standard 3 (Amended) as the “engagement partner”.

82 See ISAE (NZ) 3000 (Revised), paragraphs 3(b) and 31(a)-

83 See ISAE (NZ) 3000 (Revised), paragraph 20-

84 See Professional and Ethical Standard 1-(Revised), Section 225360, *Responding to Non-Compliance with Laws and Regulations*

85 ~~Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners*~~

86 ISAE (NZ) 3000 (Revised), paragraphs 3(a) and 20-

practitioner⁸⁷ to be a member of a firm that applies Professional and Ethical Standard 3 (Amended) or requirements in law or regulation, that are at least as demanding related to assurance engagements.⁸⁸

19. As required by ISAE (NZ) 3000 (Revised), the assurance practitioner shall comply with Professional and Ethical Standard 1–(Revised)⁸⁹ or other professional requirements, or requirements in law or regulation, that are at least as demanding related to assurance engagements. (Ref: Para. A10)

88. For both attestation and direct engagements, the assurance practitioner shall include in the assurance report the basic elements required by ISAE (NZ) 3000 (Revised),⁹⁰ which are at a minimum: (Ref: Para. A134)

...

(l) a statement that the assurance practitioner complies with the independence and other relevant ethical requirements of Professional and Ethical Standard 1–(Revised), or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding as Professional and Ethical Standard 1–(Revised);

...

A124. Professional and Ethical Standard 1–(Revised) or other professional requirements, or requirements in law or regulation, that are at least as demanding require that an assurance practitioner not be associated with information where the assurance practitioner believes that the information:

(a) contains a materially false or misleading statement;

(b) contains statements or information furnished recklessly; or

(c) omits or obscures information required to be included where such omission or obscurity would be misleading.⁹¹

⁸⁷ The term “lead assurance practitioner” is referred to in Professional and Ethical Standard 1–(Revised) and Professional and Ethical Standard 3 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* (Amended) as the “engagement partner”.

⁸⁸ ISAE (NZ) 3000 (Revised), paragraphs 3(b) and 31(a);

⁸⁹ ~~Professional and Ethical Standard 1–(Revised) Code of Ethics for Assurance Practitioners~~. See ISAE (NZ) 3000 (Revised), paragraph 20

⁹⁰ ISAE (NZ) 3000 (Revised), paragraph 69.

⁹¹ Professional and Ethical Standard 1, paragraph R111.2

Appendix 5

(Ref: Para. A36)

Example 1: Engagement Letter for an Attestation Engagement for Limited Assurance on the Design and Description of Controls

Example 2: Engagement Letter for an Attestation Engagement for Reasonable Assurance on the Design, Description and Operating Effectiveness of Controls

Example 3: Engagement Letter for a Direct Engagement for Reasonable Assurance on the Design and Implementation of Controls

The following examples of assurance practitioner's engagement letters are for guidance only and are not intended to be exhaustive or applicable to all situations.

Example 1: Engagement Letter for an Attestation Engagement for Limited Assurance on the Design and Description of Controls

To [*the appropriate representative of management or those charged with governance of ABC or the engaging party*]:

...

[*Responsibilities of the assurance practitioner*]

We will conduct our assurance engagement in accordance with Standard on Assurance Engagements (SAE) 3150 *Assurance Engagements on Controls*. SAE 3150 requires that we comply with Professional and Ethical Standard 1—(~~Revised~~) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* or other professional ethical requirements, or requirements in law or regulation, that are at least as demanding and plan and perform procedures to obtain limited assurance about whether anything has come to our attention that causes us to believe that [ABC's Statement is not fairly presented in that] the controls within ABC's [*the type or name of*] system are not suitably designed to achieve the control objectives or the description of the system is not fairly presented, in all material respects. An assurance engagement involves performing procedures to obtain evidence about the design of controls and description of the system. The procedures selected depend on the assurance practitioner's professional judgement, including the assessment of the risks of material deficiencies in the design of the controls or misstatements in the description of the [*type or name of*] system. We will perform procedures primarily consisting of making enquiries of management and others within the entity, as appropriate, examination of design specification and documentation and evaluation of the evidence obtained about the design of controls and description of the system. We will also perform additional procedures if we become aware of matters that cause us to believe the controls may not be suitably designed or the description may not be fairly presented. The procedures selected depend on what we consider necessary applying our professional judgement, including the assessment of the risks of material deficiencies in the design or misstatements in the description of the [*type or name of*] system.

...

Example 2: Engagement Letter for an Attestation Engagement for Reasonable Assurance on the Design, Description and Operating Effectiveness of Controls

To [the appropriate representative of management or those charged with governance of ABC or the engaging party]:

...

We will conduct our assurance engagement in accordance with Standard on Assurance Engagements (SAE) 3150 *Assurance Engagements on Controls*. SAE 3150 requires that we comply with Professional and Ethical Standard 1-~~(Revised)~~ International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) or other professional ethical requirements, or requirements in law or regulation, that are at least as demanding and plan and perform procedures to obtain reasonable assurance about whether, in all material respects, [ABC's Statement that] the controls are suitably designed to achieve the control objectives, the description of the [type or name of] system is fairly presented and the controls operated effectively throughout the period [is fairly stated]. An assurance engagement involves performing procedures to obtain evidence about the design, description and operating effectiveness of controls. The procedures selected depend on the assurance practitioner's professional judgement, including the assessment of the risks of material deficiencies in the design, misstatements in the description or deviations in the operating effectiveness of controls within the [type or name of] system.

...

Example 3: Engagement Letter for a Direct Engagement for Reasonable Assurance on the Design and Implementation of Controls

To [the appropriate addressee]:

...

[Responsibilities of the assurance practitioner]

We will conduct our assurance engagement in accordance with Standard on Assurance Engagements (SAE) 3150 *Assurance Engagements on Controls*. SAE 3150 requires that we comply with Professional and Ethical Standard 1-~~(Revised)~~ International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) or other professional ethical requirements, or requirements in law or regulation, that are at least as demanding and plan and perform procedures to obtain reasonable assurance about whether, in all material respects, the controls within ABC's [the type or name of] system are suitably designed to achieve the control objectives and implemented as designed, in all material respects. We will perform procedures to obtain evidence about the design and implementation of controls. The procedures selected depend on the assurance practitioner's professional judgement, including the assessment of the risks of material deficiencies in the design and/or implementation of the controls.

Appendix 8

(Ref: Para. A139)

EXAMPLE ASSURANCE REPORTS ON CONTROLS

Example 1: Limited Assurance Report on Design and Description of the Entity's Controls as at a Specified Date

Example 2: Reasonable Assurance Report on the Design, Description and Operating Effectiveness of the Entity's Controls throughout the Period

Example 3: Reasonable Assurance Report on the Design and Implementation of the Entity's Controls as at a Specified Date

Example 4: Reasonable Assurance Report on the Design and Operating Effectiveness of the Entity's Controls throughout the Period

The following examples of reports are for guidance only and are not intended to be exhaustive or applicable to all situations. They can be applied to both attestation and direct engagements. These examples are short-form reports but may be converted to long-form reports by inclusion of additional information as indicated.

Example 1: Limited Assurance Report on Design and Description of the Entity's Controls as at a Specified Date

Independent Assurance Practitioner's Report

...

Our Independence and Quality Control

We have complied with the Professional and Ethical Standard 1 (~~Revised~~) International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) or other professional requirements, or requirements in law or regulation, that are at least as demanding, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with Professional and Ethical Standard 3 (Amended) *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* or other professional requirements, or requirements in law or regulation, that are at least as demanding, [name of firm] maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

...

Example 2: Reasonable Assurance Report on the Design, Description, and Operating Effectiveness of the Entity’s Controls throughout the Period Independent Assurance Practitioner’s Report

...

Our Independence and Quality Control

We have complied with ~~the~~ Professional and Ethical Standard 1-(Revised)-International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) or other professional ethical requirements, or requirements in law or regulation, that are at least as demanding, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with Professional and Ethical Standard 3 (Amended) *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* or other professional requirements, or requirements in law or regulation, that are at least as demanding, [name of firm] maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

...

Example 3: Reasonable Assurance Report on the Design and Implementation of the Entity’s Controls as at a Specified Date Independent Assurance Practitioner’s Report

...

Our Independence and Quality Control

We have complied with ~~the~~ Professional and Ethical Standard 1-(Revised)-International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) or other professional ethical requirements, or requirements in law or regulation, that are at least as demanding, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with Professional and Ethical Auditing Standard 3 (Amended) *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* or other professional requirements, or requirements in law or regulation, that are at least as demanding, [name of firm] maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

...

Example 4: Reasonable Assurance Report on the Design and Operating Effectiveness of the Entity's Controls throughout the Period

Independent Assurance Practitioner's Report

...

Our Independence and Quality Control

We have complied with Professional and Ethical Standard 1 ~~(Revised)~~ International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) or other professional ethical requirements, or requirements in law or regulation, that are at least as demanding, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with Professional and Ethical Auditing Standard 3 (Amended) *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* or other professional requirements, or requirements in law or regulation, that are at least as demanding, [name of firm] maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

...

C: Effective Date

These conforming amendments are effective on 15 July 2020.