



NZ AUDITING
AND ASSURANCE
STANDARDS BOARD

**EXPOSURE DRAFT NZAUASB 2021-3
CONFORMING AMENDMENTS TO NZ AS 1 DUE TO
ISA (NZ) 315 (REVISED 2019)**

Invitation to Comment

June 2021

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Information for respondents

Invitation to Comment

The New Zealand Auditing and Assurance Standards Board (NZAuASB)¹ is seeking comments on the specific matters raised in this Invitation to Comment. We will consider all responses before finalising Conforming Amendments to NZ AS 1 Due to ISA (NZ) 315 (Revised 2019).

If you want to comment, please supplement your opinions with detailed comments, whether supportive or critical of the proposals, as both supportive and critical comments are essential to a balanced view.

Comments are most useful if they indicate the specific paragraph to which they relate, contain a clear rationale and, where applicable, provide a suggestion for an alternative. Feel free to provide comments only for those questions, or issues, that are relevant to you.

Comments should be submitted electronically using our 'Open for Comment' page at <https://xrb.govt.nz/assurance-standards/standards-in-development/open-for-comment/ed-nzauasb-2021>

The closing date for submission is 17 September August 2021.

Publication of Submissions, the Official Information Act and the Privacy Act

We intend publishing all submissions on the XRB website (xrb.govt.nz) unless the submission may be defamatory. If you have any objection to publication of your submission, we will not publish it on the internet. However, it will remain subject to the Official Information Act 1982 and, therefore, it may be released in part or full. The Privacy Act 1993 also applies.

If you have any objection to the release of any information contained in your submission, we would appreciate you identifying the parts of your submission to be withheld, and the grounds under the Official Information Act 1982 for doing so (e.g. that it would be likely to unfairly prejudice the commercial position of the person providing the information).

¹ The NZAuASB is a sub-Board of the External Reporting Board (XRB Board) and is responsible for setting auditing and assurance standards.

List of abbreviations

The following abbreviations are used in this Invitation to Comment.

ED	Exposure Draft
ISA (NZ)	International Standard on Auditing (New Zealand)
ITC	Invitation to comment
NZAuASB	New Zealand Auditing and Assurance Standards Board
NZ AS 1	New Zealand Auditing Standard
XRB	External Reporting Board

Questions for respondents

The NZAuASB is interested in hearing from constituents as to whether they agree with the limited proposed conforming and consequential amendments to NZ AS 1. Respondents are asked to consider the following specific questions and to respond to the NZAuASB by 17 September 2021:

1. Do you agree with the NZAuASB's proposed conforming and consequential amendments to NZ AS 1 *The Audit of Service Performance Information* arising as a result of the revision of ISA (NZ) 315 (Revised 2019)² as described in the exposure draft? If not, please explain why not, and what alternative do you propose.
2. Do you consider that additional application material is needed to assist you to apply ISA (NZ) 315 (Revised 2019) to the audit of service performance information? If yes, please identify where or what additional application material is needed?
3. Do you agree with the proposed effective date? If not, please explain why not, and what alternative do you propose?

² ISA (NZ) 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

1. Introduction and Overview of proposed conforming amendments

1.1 Background

1. This ED proposes conforming and consequential amendments to NZ AS 1 *The Audit of Service Performance Information* arising because of the revision of ISA (NZ) 315 (Revised 2019). The proposals are limited in nature to reflect new concepts and terms consistently with the ISAs (NZ), however are not intended to repeat the requirements of ISA (NZ) 315 (Revised 2019) with respect to service performance information, given that the auditor is required by NZ AS 1 to apply the ISAs (NZ) to the audit of service performance.
2. The proposed conforming and consequential changes to NZ AS 1 have been presented in marked text to the relevant paragraphs. Only the paragraphs that have amendments or provide context to the amendments are provided.

1.2 Purpose of this Invitation to Comment

3. The purpose of the Invitation to Comment (ITC) is to seek feedback from stakeholders on Exposure Draft (ED) *Conforming Amendments to NZ AS 1 Due to ISA (NZ) 315 (Revised 2019)*.
4. The following summarises the proposed changes:
 - ISA (NZ) 315 (Revised 2019)³ requires the auditor to assess inherent risk and control risk separately. The definition of the risk of misstatement in NZ AS 1 is proposed to be revised to reflect these two components (Refer to paragraph 7(e)).
 - A proposal to require the auditor to obtain an understanding of the components of the entity's system of internal control in the preparation of the service performance information and to determine whether control deficiencies have been identified (Refer to paragraph 29 and a new paragraph 29a).
 - Various terminology changes to align with the revised concepts and terms, e.g., referring to the entity's system of internal control, rather than the entity's internal control.

1.3 Timeline and next steps

5. Submissions on ED 2021-3 are due by 17 September 2021. Information on how to make submissions is provided on page 4 of this ITC.
6. The NZAuASB will consider the submissions received immediately after the consultation period ends. Subject to that feedback, the NZAuASB plans to issue *Conforming Amendments to NZ AS 1 Due to ISA (NZ) 315 (Revised 2019)* in October 2021.

³ ISA (NZ) 315 (Revised 2019), paragraphs 31-34

1.4 Proposed effective date

7. The NZAuASB proposes amendments to be effective for audits of general purpose financial statements for periods beginning on or after 15 December 2021. The effective date aligns with the effective date of ISA (NZ) 315 (Revised 2019).

**EXPOSURE DRAFT NZAUASB 2021-3
CONFORMING AMENDMENTS TO NZ AS 1 DUE TO ISA (NZ) 315 (REVISED 2019)**

CONTENTS

A: INTRODUCTION

**B: CONFORMING AMENDMENTS TO NZ AS 1 DUE TO ISA (NZ) 315
(REVISED 2019)**

C: EFFECTIVE DATE

A: INTRODUCTION

This document sets out the proposed conforming amendments to New Zealand Auditing Standard 1 issued by the NZAuASB for conforming and consequential amendments arising from ISA (NZ) 315 (Revised 2019). Underline and strikethrough are used to indicate proposed changes. Paragraph numbering and footnotes will be adjusted accordingly in the compilation of the standard.

B: CONFORMING AMENDMENTS TO NZ AS 1 DUE TO ISA (NZ) 315 (REVISED 2019)

Definitions

7. For the purposes of this NZ AS, the following terms have the meanings attributed below:
 - (a) General purpose financial report – Comprise the financial statements and service performance information and, where applicable, entity information, prepared in accordance with the applicable financial reporting framework. The general purpose financial report may be referred to as a Performance Report. (Ref: Appendix 1)
 - (b) Long-form report – Auditor’s report including information and explanations that are intended to meet the information needs of intended users but not to affect the auditor’s opinion. (Ref: Para. A69–A72)
 - (c) Misstatement – A difference between the selection, measurement, description, aggregation, presentation, or disclosure of service performance information and the selection, measurement, description, aggregation, presentation or disclosure that is required for the information to be in accordance with the applicable financial reporting framework. Misstatements can be intentional or unintentional, qualitative or quantitative, and include omissions. Misstatements can arise from error or fraud.
 - (d) Other information – Financial or non-financial information (other than the financial statements, service performance information, entity information, if applicable, and the auditor’s report thereon) included in an entity’s annual report. (Ref: Para. A5, Appendix 1)
 - (e) Risk of material misstatement – The risk that the service performance information is materially misstated prior to the audit. This consists of two components, described as follows at the assertion level:
 - (i) Inherent risk - The susceptibility of an assertion about a performance measure, description or disclosure to a misstatement that could be material, either individually or when aggregated with other misstatements, before consideration of any related controls.
 - (ii) Control risk - The risk that a misstatement that could occur in an assertion about a performance measure, description or disclosure and that could be

material, either individually or when aggregated with other misstatements, will not be prevented, or detected and corrected, on a timely basis by the entity's controls.

- (f) Service performance criteria – The selection of goods and/or services being reported on, and the performance measures and/or descriptions used to evaluate the entity's service performance for a particular engagement. (Ref: Para. A6–A8)

Requirements

Planning

.....

20. When planning the audit of the service performance information, the auditor shall:
- Where a service organisation is used, obtain an understanding of the nature and significance of the services provided by the service organisation and their effect on the user entity's system of internal control ~~relevant to the audit of the service performance information~~ sufficient to provide an appropriate basis for the identification and assessment of ~~identify and assess~~ the risks of material misstatement and design, and perform audit procedures responsive to those risks in accordance with ISA (NZ) 402.⁴ (Ref: Para. A17)
 - Where the service performance information relates to a group, obtain sufficient appropriate audit evidence regarding the service performance information of the components and the consolidation process to express an opinion on whether the group's service performance information is prepared, in all material respects, in accordance with the applicable financial reporting framework.⁵ (Ref: Para. A17)
 - Where the service performance information includes information upon which another practitioner has expressed an opinion, communicate clearly with the other practitioner, when the auditor intends to use the work of another practitioner about the scope and timing of the work and findings of the other practitioner, and evaluate the sufficiency and appropriateness of evidence obtained and the process for including related information in the service performance information. (Ref: Para. A18)

Understanding the Entity and Its Environment, the Applicable Service Performance Criteria and Including the Entity's System of Internal Control, and Identifying and Assessing Risks of Material Misstatement

~~*Obtaining an Understanding of the Entity and Its Environment, and the Applicable Service Performance Criteria*~~

21. The auditor shall perform risk assessment procedures to obtain an understanding of: (Ref: Para. A19–A24)

⁴ ISA (NZ) 402, *Audit Considerations Relating to an Entity Using a Service Organisation*

⁵ ISA (NZ) 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

- (a) The service performance of the entity and the context in which the entity operates;
- (b) The entity's process for identifying what and how to report on its service performance, as well as what other options were considered;
- (c) Whether the service performance criteria will generate service performance information that is consistent with and clearly linked to the entity's overall purpose and strategies;
- (d) How much discretion the entity has in selecting the service performance criteria;
- (e) The extent to which consultation with intended users influenced the service performance criteria; and (Ref: Para. A22–A24)
- (f) The judgements made in deciding when to provide comparative narrative and descriptive information.

...

Obtaining an Understanding the Components of the Entity's System of Internal Control

29. The auditor shall:⁶

- ~~(a) Obtain an understanding of internal control relevant to the audit over the preparation of the service performance information; and~~
- ~~(b) Evaluate the design of those controls and determine whether they have been implemented as designed. (Ref: Para. A44)~~

Through performing risk assessment activities, the auditor shall obtain an understanding of:⁷

- (a) The control environment relevant to the preparation of the service performance information;
- (b) The entity's risk assessment process relevant to the preparation of the service performance information;
- (c) The entity's process of monitoring the system of internal control relevant to the preparation of the service performance information;
- (d) The entity's information system and communication relevant to the preparation of the service performance information; and
- (e) The control activities component. (Ref: Para. A44)

29a. Based on the auditor's evaluation of each of the components of the entity's system of internal control, the auditor shall determine whether one or more control deficiencies have been identified.

⁶ ISA (NZ) 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment*, paragraph 12

⁷ ISA (NZ) 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*, paragraphs 21 to 26

...

Materiality in Planning and Performing the Engagement

...

Identifying and Assessing Risks of Material Misstatement

34. The auditor shall design and perform risk assessment procedures, in accordance with ISA (NZ) 315 (Revised 2019)⁸ to obtain audit evidence that provide an appropriate basis for identification ~~identify~~ and assessment of ~~the~~ risks of material misstatement, whether due to fraud or error: ⁹
- (a) At the service performance information level; and
 - (b) At the assertion level for performance measures, descriptions or disclosures where there is a reasonable possibility of material misstatement ~~through understanding the entity and its environment, including the entity's internal control, thereby providing a basis for designing and implementing responses to the assessed risks of material misstatement in accordance with ISA (NZ) 315 (Revised).¹⁰~~ (Ref: Para. A51, A54–A56)

The Auditor's Responses to Assessed Risks

35. The auditor shall design and perform procedures whose nature, timing and extent¹¹:
- (a) Are responsive to assessed risks of material misstatement at the service performance information level and at the assertion level; and
 - (b) Allow the auditor to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement.
36. The auditor's procedures shall include obtaining sufficient appropriate audit evidence as to the operating effectiveness of ~~the relevant~~ controls over the service performance information when:
- (a) The auditor's assessment of the risk of material misstatement includes the expectation that controls are operating effectively, or
 - (b) Where procedures other than tests of controls cannot provide sufficient appropriate audit evidence. (Ref: Para. A57–A59)

...

Application and Other Explanatory Material

...

⁸ ISA (NZ) 315 (Revised 2019), paragraph 13

⁹ ISA (NZ) 315 (Revised 2019), paragraphs 25-28-34

¹⁰ ISA (NZ) 315 (Revised), paragraph 5

¹¹ ISA (NZ) 330, The Auditor's Responses to Assessed Risks

Conduct of the Engagement in Accordance with ISAs (NZ) (Ref: Para. 8)

...

A12. The relevance of each of the ISAs (NZ) to the service performance information requires careful consideration. For example, ISA (NZ) 240,¹² ISA (NZ) 540 (Revised),¹³ ISA (NZ) 550¹⁴ and ISA (NZ) 570 (Revised)¹⁵ are, in principle, relevant. This is because the service performance information could be misstated as a result of fraud, misstated estimates as a result of measurement that is subject to estimation uncertainty, the effect of related party transactions, or the incorrect application of the going concern basis of accounting under the applicable financial reporting framework.

...

Documentation (Ref: Para. 12)

A14. The following are examples of matters that the auditor may consider to be appropriate to include in the audit documentation:

- Planning: The overall engagement strategy, the engagement plan, capturing the nature of the plan, reflecting plans to make connections between the financial statements and service performance information, any significant changes made during the engagement, and the reasons for such changes;
- Materiality: The materiality levels or materiality factors for the service performance information and matters considered in their determination;
- Risks of material misstatement: Key elements of the understanding obtained regarding the entity and its environment, and the applicable service performance criteria specified in paragraph 21, and the risks of material misstatement for which, in the auditor's professional judgement, further procedures were required;
- Procedures: The nature, timing and extent of the further audit procedures performed, the linkage of those further audit procedures with the risks of material misstatement, and the results of audit procedures;
- Evaluation of misstatements: Misstatements identified during the engagement and whether they have been corrected, the auditor's conclusion as to whether uncorrected misstatements are material, individually or collectively, and the basis for that conclusion.

...

¹² ISA (NZ) 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

¹³ ISA (NZ) 540 (Revised), *Auditing Accounting Estimates, Including Fair Value Accounting Estimates and Related Disclosures*

¹⁴ ISA (NZ) 550, *Related Parties*

¹⁵ ISA (NZ) 570 (Revised), *Going Concern*

Understanding the Entity and Its Environment, the Applicable Service Performance Criteria, and Including the Entity’s System of Internal Control, and Identifying and Assessing Risks of Material Misstatement (Ref: Para. 21–30)

Obtaining an Understanding of the Entity and its Environment and the Applicable Service Performance Criteria

....

~~Obtaining an Understanding~~ *the Components of the Entity’s System of Internal Control* (Ref: Para. 30)

A44. Controls in control activities component that may be relevant to the audit of the service performance information include policies and procedures that pertain to internal management performance reviews,¹⁶ including reviews and analyses of actual performance versus budgets and relating different sets of data – operating or financial – to one another.

...

The Auditor’s Responses to Assessed Risks (Ref: Para. 35–37)

...

A59. In some instances, there may not be controls ~~activities~~ that could be identified by the auditor, or the extent to which their existence or operation have been documented by the entity may be limited. In such cases, it may be more efficient for the auditor to perform audit procedures that are primarily substantive procedures. In rare cases, the absence of controls may make it impossible to obtain sufficient appropriate audit evidence.

...

Appendix 4

Illustrative Engagement Letter Including Service Performance Information

...

[The responsibilities of the auditor]

We will conduct our audit of the financial statements in accordance with ISAs (NZ) and the audit of the service performance information in accordance with the ISAs (NZ) and NZ AS 1. Those standards require that we comply with ethical requirements. As part of an audit in accordance with ISAs (NZ) and NZ AS 1, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the [*entity information, the financial statements and the service performance information*], 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

¹⁶ ISA (NZ) 315 (Revised), Appendix 1, paragraph 9

fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of [*the entity information*], the financial statements and the service performance information 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 entity's system of internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the [*general purpose financial report/performance report*] that we have identified during the audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Obtain an understanding of the process applied by the entity to select what and how to report its service performance.
- Evaluate whether the service performance criteria are suitable so as to result in service performance information that is in accordance with the [*Public Benefit Entity Standards/Public Benefit Entity Simple Format Reporting – Accrual (Not-for-profit)*].
- Evaluate the overall presentation, structure and content of the [*general purpose financial report/performance report*] and whether the [*general purpose financial report/performance report*] represents the underlying transactions, events and service performance in accordance with [*Public Benefit Entity Standards/Public Benefit Entity Simple Format Reporting – Accrual (Not-for-profit)*] [in a manner that achieves fair presentation].
- Conclude on the appropriateness of the use of the going concern basis of accounting by those charged with governance and, based on the audit evidence obtained, whether 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. 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 [*general purpose financial report/performance report*] 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 [entity] to cease to continue as a going concern.

...

Appendix 5

Illustrative Representation Letter Including Service Performance Information

...

[General Purpose Financial Report/Performance Report]

We have fulfilled our responsibilities on behalf of [the entity], as set out in the terms of the audit engagement dated [insert date]:

- For the preparation, and fair presentation of the [entity information], financial statements and [service performance information/statement of service performance] in accordance with [PBE Standards/Public Benefit Entity Simple Format Reporting – Accrual (Not-for-profit)] issued by the New Zealand Accounting Standards Board.
- To select service performance criteria that are suitable in order to prepare service performance information in accordance with [Public Benefit Entity Standards/Public Benefit Entity Simple Format Reporting – Accrual (Not-for-profit)] (NZ AS 1)
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. (ISA (NZ) 540 (Revised))
- Related party relationships and transactions have been appropriately accounted for and disclosed in the financial statements in accordance with [Public Benefit Entity Standards/Public Benefit Entity Simple Format Reporting – Accrual (Not-for-profit)]. (ISA (NZ) 550)
- All events subsequent to the date of the financial statements which require adjustment or disclosure have been adjusted or disclosed. (ISA (NZ) 560)
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate or collectively, to the financial statements as a whole and [service performance information/statement of service performance]. A list of the uncorrected misstatements is attached to the representation letter. (ISA (NZ) 450)
- [Any other matters that the auditor may consider appropriate.]

...

Appendix 6

(Ref: Para. A66)

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 framework¹⁷. 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.**

...

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]* 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.

¹⁷ 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.

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

...

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

...

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

...

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

...

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].

...

C: EFFECTIVE DATE

The proposed amendment described in section B will be effective for audits of general purpose financial statements for periods beginning on or after 15 December 2021.