



NZ AUDITING
AND ASSURANCE
STANDARDS BOARD

AMENDMENTS TO THE INTERNATIONAL STANDARDS ON AUDITING (NEW ZEALAND) (ISAs (NZ)) TO DESCRIBE THE RESPONSIBILITIES OF THOSE CHARGED WITH GOVERNANCE

This Standard was issued on 10 September 2015 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 8 October 2015.

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 as a result of legislative changes in New Zealand describing the statutory responsibility for the preparation of an entity's financial statements.

An auditor that is required to apply this Standard is required to apply it for audits of financial statements for periods ending on or after 15 December 2016. However, early adoption is permitted.

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AMENDMENTS TO THE ISAs (NZ) TO DESCRIBE THE RESPONSIBILITIES OF THOSE CHARGED WITH GOVERNANCE

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A: INTRODUCTION

This document sets out amendments to the International Standards on Auditing (New Zealand) (ISAs (NZ)) as a result of recent changes to the Companies Act 1993 and Financial Markets Conduct Act 2013.

B: AMENDMENTS TO ISAs (NZ) TO DESCRIBE THE RESPONSIBILITIES OF THOSE CHARGED WITH GOVERNANCE

Amendments to ISAs (NZ) as shown. New text is underlined and deleted text is struck through.
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B1 The New Zealand contextual paragraph

The New Zealand contextual paragraph that has been inserted in the following standards will be amended in the same way:

- ISA (NZ) 200 *Overall Objectives of the Independent Auditor and the Conduct of an audit in Accordance with International Standards on Auditing (New Zealand)* paragraph NZ4.1;
- ISA (NZ) 210 *Agreeing the Terms of Audit Engagements* paragraph NZ1.1;
- ISA (NZ) 570 *Going Concern* paragraph NZ1.2;
- ISA (NZ) 580 *Written Representations* paragraph NZ1.1;
- ISA (NZ) 700 *Forming an Opinion and Reporting on Financial Statements* paragraph NZ4.1

“In New Zealand, those charged with governance ~~generally often~~ have a statutory responsibility for ensuring an entity meets its legal obligations in relation to ~~for~~ the preparation of the financial statements. In these cases the process of financial reporting is usually delegated to management, but the responsibility for such matters remains with those charged with governance. In applying this standard the auditor shall apply professional judgement, using knowledge of the legal requirements and corporate governance practices of New Zealand as well as the particular engagement circumstances, to determine whether the requirements of this standard apply to management or those charged with governance or both.”

B2 Illustrative Engagement letter

Appendix 1 of ISA (NZ) 210 *Agreeing the Terms of Audit Engagements* is to be amended as follows:

(extract only)

“ ...

Our audit will be conducted on the basis that [~~the directors~~those charged with governance]¹ acknowledge and understand that they have responsibility on behalf of the entity:

- (a) For the preparation and fair presentation of the financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards;
- (b) For such internal control as [they] determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

B3 Illustrative Representation letter

Appendix 2 of ISA (NZ) 580 *Written Representations* is to be amended as follows:
(extract only)

Illustrative Representation Letter

The following illustrative letter includes written representations that are required by this and other ISAs (NZ) in effect for audits of financial statements for periods beginning on or after 1 July 2011. It is assumed in this illustration that the applicable financial reporting framework is New Zealand Equivalents to International Financial Reporting Standards ~~generally accepted accounting practice in New Zealand~~; the requirement of ISA (NZ) 570² to obtain a written representation is not relevant; and that there are no exceptions to the requested written representations. If there were exceptions, the representations would need to be modified to reflect the exceptions.

(Entity Letterhead)

(To Auditor)

(Date)

This representation letter is provided in connection with your audit of the financial statements of ABC Limited for the year ended December 31, 20XX³ for the purpose of expressing an opinion as to whether the financial statements comply with New Zealand Equivalents to International Financial Reporting Standards ~~generally accepted accounting practice in New Zealand~~ and give a true and fair view of the financial position of ABC Limited as at December 31, 20XX and of the results of its operations and its cash flows for the year then ended.

¹ Use terminology as appropriate in the circumstances, for example the directors, trustees or equivalent.

² ISA (NZ) 570, “Going Concern.”

³ Where the auditor reports on more than one period, the auditor adjusts the date so that the letter pertains to all periods covered by the auditor’s report.

We confirm that *(to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves)*:

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 of the financial statements in accordance with generally accepted accounting practice in New Zealand that give a true and fair view of the financial position of ABC Limited as at December 31, 20XX and of the results of its operations and its cash flows for the year then ended.”

B4 Illustrative Auditor Reports

The following paragraph that appears in all illustrative auditor reports throughout the extant ISAs (NZ) in the following standards will be amended as indicated below:

- ISA (NZ) 570 *Going Concern*;
- ISA (NZ) 600 *Special Considerations – Audits of Group Financial Statements (including the work of Component Auditors)*;
- ISA (NZ) 700 *Forming an Opinion and Reporting on Financial Statements*;
- ISA (NZ) 705 *Modifications to the Opinion in the Independent Auditor’s Report*;
- ISA (NZ) 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report*;
- ISA (NZ) 710 *Comparative Information – Corresponding Figures and Comparative Financial Statements*.

“Directors’ Responsibility for the Financial Statements

The directors are responsible on behalf of the entity for the preparation of the financial statements and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.”

C: EFFECTIVE DATE

The effective date for the amendments to the ISAs (NZ) will be for audits of financial statements for periods ending on or after 15 December 2016. Early adoption is permitted.