



## **INTERNATIONAL STANDARD ON REVIEW ENGAGEMENTS (NEW ZEALAND) 2400**

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

Effective for reviews of financial statements for periods ending on or after December 31, 2014. Early adoption is permitted.

This Standard was issued by the New Zealand Auditing and Assurance Standards Board pursuant to section 24(1)(b) of the Financial Reporting Act 1993. This Standard is a disallowable instrument for the purposes of the Legislation Act 2012.

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## INTERNATIONAL STANDARD ON REVIEW ENGAGEMENTS (NEW ZEALAND) 2400

**REVIEW OF HISTORICAL FINANCIAL STATEMENTS PERFORMED BY AN ASSURANCE  
PRACTITIONER WHO IS NOT THE AUDITOR OF THE ENTITY***Issued by the New Zealand Auditing and Assurance Standards Board***CONTENTS**

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<p>International Standard on Review Engagements (New Zealand) (ISRE (NZ)) 2400, <i>Review of Historical Financial Statements Performed by an Assurance Practitioner who is not the Auditor of the Entity</i>, should be read in conjunction with XRB Au1 <i>Application of Auditing and Assurance Standards</i>.</p>
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## History of Amendments

### Table of pronouncements – ISRE (NZ) 2400 *Review of Historical Financial Statements Performed by an Assurance Practitioner Who Is Not the Auditor of the Entity*

This table lists the pronouncements establishing and amending ISRE (NZ) 2400.

<b>Pronouncements</b>	<b>Date approved</b>	<b>Effective date</b>
ISAE (NZ) 3000 (Revised) <i>Assurance Engagements other than Audits or Reviews of Historical Financial Information</i>	August 2014	Effective for assurance engagements beginning on or after 1 January 2015
Conforming Amendments to ISAs (NZ) and Other Pronouncements (NOCLAR)	October 2016	Effective for assurance engagements for periods ending on or after 15 December 2017
Conforming Amendments to Auditing and Assurance Standards as a result of the revised Professional and Ethical Standard 1	June 2020	Effective on 15 July 2020
Conforming and Consequential Amendments to Other Standards as a result of the new and revised Quality Management Standards	May 2022	Effective for reviews of financial statements for periods beginning on or after 15 December 2022

<b>Table of Amended Paragraphs in ISRE (NZ) 2400</b>		
<b>Paragraph affected</b>	<b>How affected</b>	<b>By...[date]</b>
3	Amended	ISAE (NZ) 3000 (Revised) [August 2014]
48, 52, A94 NZA88.1, A93, NZA95.1, A96, A97, A98	Amended Inserted	Conforming Amendments to ISAs (NZ) and Other Pronouncements (NOCLAR) [Oct 2016]
17(i), 27, A15, NZA95.1	Amended	Conforming Amendments to Auditing and Assurance Standards as a result of the revised Professional and Ethical Standard 1 [June 2020]
4, 17(i), 24, 25(a), 25(d), NZ25.1, NZ25.2(a), 27, NZ27.1, 28, 94(b), A3, A4, NZA5.1, A27, A28, A29, A30, A31, A32, A34, A151,	Amended	Conforming and Consequential Amendments to Other Standards as a result of the new and revised Quality Management Standards [May 2022]

## Introduction

### Scope of this ISRE (NZ)

1. This International Standard on Review Engagements (New Zealand) (ISRE (NZ)) deals with: (Ref: Para. A1)
    - (a) The assurance practitioner’s responsibilities when engaged to perform a review of historical financial statements, when the assurance practitioner is not the auditor of the entity’s financial statements; and
    - (b) The form and content of the assurance practitioner’s report on the financial statements.
  2. This ISRE (NZ) does not address a review of an entity’s financial statements or interim financial statements performed by an assurance practitioner who is the independent auditor of the entity’s financial statements. (Ref: Para. A2)
  3. This ISRE (NZ) is to be applied, adapted as necessary, to reviews of other historical financial information. Limited assurance engagements other than reviews of historical financial information are performed under ISAE (NZ) 3000 (Revised).<sup>1</sup>
- NZ3.1 For the purposes of this ISRE (NZ), a reference to “management” is taken to mean “management, or where appropriate, those charged with governance”.
- NZ3.2 In New Zealand, those charged with governance often have a statutory responsibility 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 assurance practitioner 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.

### *Relationship with Professional and Ethical Standard 3<sup>2</sup>*

4. The system of quality management, and policies or procedures are the responsibility of the firm. Professional and Ethical Standard 3 applies to firms in respect of a firm’s engagements to review financial statements.<sup>3</sup> The provisions of this ISRE (NZ) regarding quality management at the level of individual review engagements are premised on the basis that the firm is subject to Professional and Ethical Standard 3 or requirements that are at least as demanding. (Ref: Para. A3–A5)

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<sup>1</sup> International Standard on Assurance Engagements (New Zealand) (ISAE (NZ)) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

<sup>2</sup> Professional and Ethical Standard 3, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

<sup>3</sup> Professional and Ethical Standard 3, paragraph 5

## The Engagement to Review Historical Financial Statements

5. The review of historical financial statements is a limited assurance engagement, as described in Explanatory Guide Au1 *Overview of Auditing and Assurance Standards*.<sup>4</sup> (Ref: Para. A6–A7)
6. In a review of financial statements, the assurance practitioner expresses a conclusion that is designed to enhance the degree of confidence of intended users regarding the preparation of an entity’s financial statements in accordance with an applicable financial reporting framework. The assurance practitioner’s conclusion is based on the assurance practitioner obtaining limited assurance. The assurance practitioner’s report includes a description of the nature of a review engagement as context for the readers of the report to be able to understand the conclusion.
7. The assurance practitioner performs primarily enquiry and analytical procedures to obtain sufficient appropriate evidence as the basis for a conclusion on the financial statements as a whole, expressed in accordance with the requirements of this ISRE (NZ).
8. If the assurance practitioner becomes aware of a matter that causes the assurance practitioner to believe the financial statements may be materially misstated, the assurance practitioner designs and performs additional procedures, as the assurance practitioner considers necessary in the circumstances, to be able to conclude on the financial statements in accordance with this ISRE (NZ).

### Authority of this ISRE (NZ)

9. This ISRE (NZ) contains the objectives of the assurance practitioner in following the ISRE (NZ) which provide the context in which the requirements of this ISRE (NZ) are set, and are intended to assist the assurance practitioner in understanding what needs to be accomplished in a review engagement.
10. The ISRE (NZ) contains requirements, expressed using “shall,” that are designed to enable the assurance practitioner to meet the stated objectives.
11. In addition, this ISRE (NZ) contains introductory material, definitions, and application and other explanatory material, that provide context relevant to a proper understanding of the ISRE (NZ).
12. The application and other explanatory material provides further explanation of the requirements and guidance for carrying them out. While such guidance does not itself impose a requirement, it is relevant to the proper application of the requirements. The application and other explanatory material may also provide background information on matters addressed in this ISRE (NZ) that assists in the application of the requirements.

### Effective Date

13. [Amended by the NZAuASB.]

NZ13.1 This ISRE (NZ) is effective for reviews of financial statements for periods ending on or after December 31, 2014. Early adoption is permitted.

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<sup>4</sup> EG Au1, paragraphs 16 and 21

NZ13.2 This ISRE (NZ) supersedes Review Standard 1 issued by the External Reporting Board in July 2011, from the effective date.

### Objectives

14. The assurance practitioner's objectives in a review of financial statements under this ISRE (NZ) are to:
  - (a) Obtain limited assurance, primarily by performing enquiry and analytical procedures, about whether the financial statements as a whole are free from material misstatement, thereby enabling the assurance practitioner to express a conclusion on whether anything has come to the assurance practitioner's attention that causes the assurance practitioner to believe the financial statements are not prepared, in all material respects, in accordance with an applicable financial reporting framework; and
  - (b) Report on the financial statements as a whole and communicate, as required by this ISRE (NZ).
15. In all cases when limited assurance cannot be obtained and a qualified conclusion in the assurance practitioner's report is insufficient in the circumstances, this ISRE (NZ) requires that the assurance practitioner either disclaim a conclusion in the report issued for the engagement or, where appropriate, withdraw from the engagement if withdrawal is possible under applicable law or regulation. (Ref. Para. A8–A10, A115–A116)

### Definitions

16. Explanatory Guide Au4<sup>5</sup> includes the terms defined in this ISRE (NZ) as well as descriptions of other terms used in this ISRE (NZ), to assist in consistent application and interpretation. For example, the terms "management" and "those charged with governance" used throughout this ISRE (NZ) are as defined in EG Au4. (Ref: Para. A11–A12)
17. For purposes of this ISRE (NZ), the following terms have the meanings attributed below:
  - (a) *Analytical procedures*—Evaluations of financial information through analysis of plausible relationships among both financial and non-financial data. Analytical procedures also encompass such investigation as is necessary of identified fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount.

NZ17.1 *Assurance practitioner*—A person or an organisation, whether in public practice, industry, commerce or the public sector, appointed or engaged to undertake assurance engagements.

  - (b) *Engagement risk*—The risk that the assurance practitioner expresses an inappropriate conclusion when the financial statements are materially misstated.
  - (c) *General purpose financial statements*—Financial statements prepared in accordance with a general purpose framework.

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<sup>5</sup> EG Au4 Glossary of Terms issued by the NZAuASB



- (d) *General purpose framework*—A financial reporting framework designed to meet the common financial needs of a wide range of users. The financial reporting framework may be a fair presentation framework or a compliance framework.
- (e) *Enquiry*—Enquiry consists of seeking information of knowledgeable persons from within or outside the entity.
- (f) *Limited assurance*—The level of assurance obtained where engagement risk is reduced to a level that is acceptable in the circumstances of the engagement, but where that risk is greater than for a reasonable assurance engagement, as the basis for expressing a conclusion in accordance with this ISRE (NZ). The combination of the nature, timing and extent of evidence gathering procedures is at least sufficient for the assurance practitioner to obtain a meaningful level of assurance. To be meaningful, the level of assurance obtained by the assurance practitioner is likely to enhance the intended users' confidence about the financial statements. (Ref: Para. A13)
- (g) *Practitioner*—[Deleted by the NZAuASB. Refer to NZ17.1].
- (h) *Professional judgement*—The application of relevant training, knowledge and experience, within the context provided by assurance, accounting and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the review engagement.
- (i) *Relevant ethical requirements*—Principles of professional ethics and ethical requirements that are applicable to assurance practitioners when undertaking reviews of financial statements. Relevant ethical requirements ordinarily comprise the provisions of Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* related to reviews of financial statements, together with relevant legal, regulatory or contractual requirements that are more restrictive.
- (j) *Special purpose financial statements*—Financial statements prepared in accordance with a special purpose framework.
- (k) *Special purpose framework*—A financial reporting framework designed to meet the financial information needs of specific users. The financial reporting framework may be a fair presentation framework or a compliance framework.

## Requirements

### Conduct of a Review Engagement in Accordance with this ISRE (NZ)

18. The assurance practitioner shall have an understanding of the entire text of this ISRE (NZ), including its application and other explanatory material, to understand its objectives and to apply its requirements properly. (Ref: Para. A14)

### *Complying with Relevant Requirements*

19. The assurance practitioner shall comply with each requirement of this ISRE (NZ), unless a requirement is not relevant to the review engagement. A requirement is relevant to the review engagement when the circumstances addressed by the requirement exist.

20. The assurance practitioner shall not represent compliance with this ISRE (NZ) in the assurance practitioner's report unless the assurance practitioner has complied with all the requirements of this ISRE (NZ) relevant to the review engagement.

### **Ethical Requirements**

21. The assurance practitioner shall comply with relevant ethical requirements, including those pertaining to independence. (Ref: Para. A15–A16)

### **Professional Scepticism and Professional Judgement**

22. The assurance practitioner shall plan and perform the engagement with professional scepticism recognising that circumstances may exist that cause the financial statements to be materially misstated. (Ref: Para. A17–A20)
23. The assurance practitioner shall exercise professional judgement in conducting a review engagement. (Ref: Para. A21–A25)

### **Engagement Level Quality Management**

24. The engagement partner shall have competence in assurance skills and techniques and in financial reporting, and capabilities, including having sufficient time, appropriate to the engagement circumstances. (Ref: Para. A26)
25. The engagement partner shall take overall responsibility for: (Ref: Para. A27–A30)
  - (a) Managing and achieving quality on each review engagement to which that partner is assigned and being sufficiently and appropriately involved throughout the engagement;
  - (b) The direction, supervision, planning and performance of the review engagement in compliance with standards issued by the External Reporting Board or the New Zealand Auditing and Assurance Standards Board and applicable legal and regulatory requirements; (Ref: Para. A31)
  - (c) The assurance practitioner's report being appropriate in the circumstances; and
  - (d) The engagement being performed in accordance with the firm's quality management policies or procedures, including:
    - (i) Being satisfied that the firm's policies or procedures for the acceptance and continuance of client relationships and review engagements have been followed, and that conclusions reached are appropriate, including considering whether there is information that would lead the engagement partner to conclude that management lacks integrity; (Ref: Para. A32–A33)
    - (ii) Determining that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner, taking into account the nature and circumstances of the engagement, the firm's policies or procedures, and any changes that may arise during the engagement.
    - (iii) Being satisfied that the engagement team collectively has the appropriate competence and capabilities, including having sufficient time, as well as assurance skills and techniques and expertise in financial reporting, to:

- a. Perform the review engagement in accordance with professional standards and applicable legal and regulatory requirements; and
- b. Enable a report that is appropriate in the circumstances to be issued;
- (iv) Taking responsibility for appropriate engagement documentation being maintained; and
- (v) When an engagement quality review is required in accordance with Professional and Ethical Standard 3 or the firm's policies or procedures, not dating the report until the completion of the engagement quality review.<sup>6</sup>

#### *Reviewing Work Performed*

NZ25.1 The engagement partner shall take overall responsibility for reviewing the engagement team's work in accordance with the firm's policies or procedures for review engagements. (Ref: Para. NZA33.1-NZA33.5)

#### *Consultation*

NZ25.2 The engagement partner shall:

- (a) Take overall responsibility for the engagement team undertaking appropriate consultation on difficult or contentious matters;
- (b) Be satisfied that members of the engagement team have undertaken appropriate consultation during the course of the engagement, both within the engagement team and between the engagement team and others at the appropriate level within or outside the firm;
- (c) Be satisfied that the nature and scope of, and conclusions resulting from, such consultations are agreed with the party consulted; and
- (d) Determine that conclusions resulting from such consultations have been implemented. (Ref: Para. NZA33.6-NZA33.7)

#### *Documentation*

NZ25.3 The engagement team shall include in the engagement documentation:

- (a) Issues identified with respect to compliance with relevant ethical requirements and how they were resolved.
- (b) Conclusions on compliance with independence requirements that apply to the review engagement, and any relevant discussions with the firm that support these conclusions.
- (c) Conclusions reached regarding the acceptance and continuance of client relationships and review engagements.
- (d) The nature and scope of, and conclusions resulting from, consultations undertaken during the course of the review engagement. (Ref: Para. NZA33.8).

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<sup>6</sup> Professional and Ethical Standard 4, *Engagement Quality Reviews*

*Relevant Considerations after Engagement Acceptance*

26. If the engagement partner obtains information that would have caused the firm to decline the engagement had that information been available earlier, the engagement partner shall communicate that information promptly to the firm, so that the firm and the engagement partner can take the necessary action.

*Compliance with Relevant Ethical Requirements*

27. Throughout the engagement, the engagement partner shall remain alert, through observation and making enquiries as necessary, for evidence of 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 management or otherwise that indicate that members of the engagement team have breached relevant ethical requirements, the engagement partner, in consultation with others in the firm, shall determine the appropriate action.

*Independence*

NZ27.1 The engagement partner shall form a conclusion on compliance with independence requirements that apply to the engagement. In doing so, the engagement partner shall: (Ref: Para. NZA33.9)

- (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 or procedures to determine whether they create a threat to independence for the review engagement; and
- (c) Take appropriate action to eliminate such threats or reduce them to an acceptable level by applying safeguards, or, if considered appropriate, to withdraw from the review 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. NZA33.9)

*Monitoring and Remediation*

28. A firm's system of quality management includes establishing a monitoring and remediation process to:
- (a) Provide the firm with relevant, reliable and timely information about the design, implementation and operation of the system of quality management.
  - (b) Take appropriate actions to respond to identified deficiencies such that deficiencies are remediated by the firm on a timely basis.

The engagement partner shall consider the information from the firm's monitoring and remediation process, as communicated by the firm and, if applicable, other network firms and whether the information may affect the review engagement.

## Acceptance and Continuance of Client Relationships and Review Engagements

### *Factors Affecting Acceptance and Continuance of Client Relationships and Review Engagements*

29. Unless required by law or regulation, the assurance practitioner shall not accept a review engagement if: (Ref: Para. A34–A35)
- (a) The assurance practitioner is not satisfied:
    - (i) That there is a rational purpose for the engagement; or (Ref: Para. A36)
    - (ii) That a review engagement would be appropriate in the circumstances; (Ref: Para. A37)
  - (b) The assurance practitioner has reason to believe that relevant ethical requirements, including independence, will not be satisfied;
  - (c) The assurance practitioner’s preliminary understanding of the engagement circumstances indicates that information needed to perform the review engagement is likely to be unavailable or unreliable; (Ref: Para. A38)
  - (d) The assurance practitioner has cause to doubt management’s integrity such that it is likely to affect proper performance of the review; or (Ref: Para. A37(b))
  - (e) Management or those charged with governance impose a limitation on the scope of the assurance practitioner’s work in the terms of a proposed review engagement such that the assurance practitioner believes the limitation will result in the assurance practitioner disclaiming a conclusion on the financial statements.

### *Preconditions for Accepting a Review Engagement*

30. Prior to accepting a review engagement, the assurance practitioner shall: (Ref: Para. A39)
- (a) Determine whether the financial reporting framework applied in the preparation of the financial statements is acceptable including, in the case of special purpose financial statements, obtaining an understanding of the purpose for which the financial statements are prepared and of the intended users; and (Ref: Para. A40–A46)
  - (b) Obtain the agreement of management that it acknowledges and understands its responsibilities: (Ref: Para. A47–A50)
    - (i) For preparation of the financial statements in accordance with the applicable financial reporting framework, including, where relevant, their fair presentation;
    - (ii) For such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
    - (iii) To provide the assurance practitioner with:
      - a. Access to all information of which management is aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
      - b. Additional information that the assurance practitioner may request from management for the purpose of the review; and

- c. Unrestricted access to persons within the entity from whom the assurance practitioner determines it necessary to obtain evidence.
31. If the assurance practitioner is not satisfied as to any of the matters set out above as preconditions for accepting a review engagement, the assurance practitioner shall discuss the matter with management or those charged with governance. If changes cannot be made to satisfy the assurance practitioner as to those matters, the assurance practitioner shall not accept the proposed engagement unless required by law or regulation to do so. However, an engagement conducted under such circumstances does not comply with this ISRE (NZ). Accordingly, the assurance practitioner shall not include any reference within the assurance practitioner's report to the review having been conducted in accordance with this ISRE (NZ).
32. If it is discovered after the engagement has been accepted that the assurance practitioner is not satisfied as to any of the above preconditions, the assurance practitioner shall discuss the matter with management or those charged with governance, and shall determine:
  - (a) Whether the matter can be resolved;
  - (b) Whether it is appropriate to continue with the engagement; and
  - (c) Whether and, if so, how to communicate the matter in the assurance practitioner's report.

*Additional Considerations When the Wording of the Assurance Practitioner's Report Is Prescribed by Law or Regulation*

33. The assurance practitioner's report issued for the review engagement shall refer to this ISRE (NZ) only if the report complies with the requirements of paragraph 86.
34. In some cases, when the review is performed pursuant to applicable law or regulation of a jurisdiction, the relevant law or regulation may prescribe the layout or wording of the assurance practitioner's report in a form or in terms that are significantly different from the requirements of this ISRE (NZ). In those circumstances, the assurance practitioner shall evaluate whether users might misunderstand the assurance obtained from the review of the financial statements and, if so, whether additional explanation in the assurance practitioner's report can mitigate possible misunderstanding. (Ref: Para. A51, A148)
35. If the assurance practitioner concludes that additional explanation in the assurance practitioner's report cannot mitigate possible misunderstanding, the assurance practitioner shall not accept the review engagement unless required by law or regulation to do so. A review conducted in accordance with such law or regulation does not comply with this ISRE (NZ). Accordingly, the assurance practitioner shall not include any reference within the assurance practitioner's report to the review having been conducted in accordance with this ISRE (NZ). (Ref: Para. A51, A148)

*Agreeing the Terms of Engagement*

36. The assurance practitioner shall agree the terms of the engagement with management or those charged with governance, as appropriate, prior to performing the engagement.

37. The agreed terms of engagement shall be recorded in an engagement letter or other suitable form of written agreement, and shall include: (Ref: Para. A52–A54, A56)
- (a) The intended use and distribution of the financial statements, and any restrictions on use or distribution where applicable;
  - (b) Identification of the applicable financial reporting framework;
  - (c) The objective and scope of the review engagement;
  - (d) The responsibilities of the assurance practitioner;
  - (e) The responsibilities of management, including those in paragraph 30(b); (Ref: Para. A47–A50, A55)
  - (f) A statement that the engagement is not an audit, and that the assurance practitioner will not express an audit opinion on the financial statements; and
  - (g) Reference to the expected form and content of the report to be issued by the assurance practitioner, and a statement that there may be circumstances in which the report may differ from its expected form and content.

#### Recurring Engagements

38. On recurring review engagements, the assurance practitioner shall evaluate whether circumstances, including changes in the engagement acceptance considerations, require the terms of engagement to be revised and whether there is a need to remind management or those charged with governance, as appropriate, of the existing terms of engagement. (Ref: Para. A57)

#### *Acceptance of a Change in the Terms of the Review Engagement*

39. The assurance practitioner shall not agree to a change in the terms of the engagement where there is no reasonable justification for doing so. (Ref: Para. A58–A60)
40. If, prior to completing the review engagement, the assurance practitioner is requested to change the engagement to an engagement for which no assurance is obtained, the assurance practitioner shall determine whether there is reasonable justification for doing so. (Ref: Para. A61–A62)
41. If the terms of engagement are changed during the course of the engagement, the assurance practitioner and management or those charged with governance, as appropriate, shall agree on and record the new terms of the engagement in an engagement letter or other suitable form of written agreement.

#### **Communication with Management and Those Charged with Governance**

42. The assurance practitioner shall communicate with management or those charged with governance, as appropriate, on a timely basis during the course of the review engagement, all matters concerning the review engagement that, in the assurance practitioner's professional judgement, are of sufficient importance to merit the attention of management or those charged with governance, as appropriate. (Ref: Para. A63–A69)

## Performing the Engagement

### *Materiality in a Review of Financial Statements*

43. The assurance practitioner shall determine materiality for the financial statements as a whole, and apply this materiality in designing the procedures and in evaluating the results obtained from those procedures. (Ref: Para. A70–A73)
44. The assurance practitioner shall revise materiality for the financial statements as a whole in the event of becoming aware of information during the review that would have caused the assurance practitioner to have determined a different amount initially. (Ref. Para. A74)

### *The Assurance Practitioner's Understanding*

45. The assurance practitioner shall obtain an understanding of the entity and its environment, and the applicable financial reporting framework, to identify areas in the financial statements where material misstatements are likely to arise and thereby provide a basis for designing procedures to address those areas. (Ref: Para. A75–A77)
46. The assurance practitioner's understanding shall include the following: (Ref: Para. A78, A87, A90)
  - (a) Relevant industry, regulatory, and other external factors including the applicable financial reporting framework;
  - (b) The nature of the entity, including:
    - (i) Its operations;
    - (ii) Its ownership and governance structure;
    - (iii) The types of investments that the entity is making and plans to make;
    - (iv) The way that the entity is structured and how it is financed; and
    - (v) The entity's objectives and strategies;
  - (c) The entity's accounting systems and accounting records;
  - (d) The entity's selection and application of accounting policies; and
- NZ46.1 Internal control, as it relates to the preparation of the financial statements. (Ref: Para. NZ A78.1)

### *Designing and Performing Procedures*

47. In obtaining sufficient appropriate evidence as the basis for a conclusion on the financial statements as a whole, the assurance practitioner shall design and perform enquiry and analytical procedures: (Ref: Para. A79–A83, A87, A90)
  - (a) To address all material items in the financial statements, including disclosures; and
  - (b) To focus on addressing areas in the financial statements where material misstatements are likely to arise.
48. The assurance practitioner's enquiries of management and others within the entity, as appropriate, shall include the following: (Ref: Para. A84–NZA88.1)



- (a) How management makes the significant accounting estimates required under the applicable financial reporting framework;
  - (b) The identification of related parties and related party transactions, including the purpose of those transactions;
  - (c) Whether there are significant, unusual or complex transactions, events or matters that have affected or may affect the entity's financial statements, including:
    - (i) Significant changes in the entity's business activities or operations;
    - (ii) Significant changes to the terms of contracts that materially affect the entity's financial statements, including terms of finance and debt contracts or covenants;
    - (iii) Significant journal entries or other adjustments to the financial statements;
    - (iv) Significant transactions occurring or recognised near the end of the reporting period;
    - (v) The status of any uncorrected misstatements identified during previous engagements; and
    - (vi) Effects or possible implications for the entity of transactions or relationships with related parties;
  - (d) The existence of any actual, suspected or alleged:
    - (i) Fraud or illegal acts affecting the entity; and
    - (ii) Non-compliance with provisions of laws and regulations that are generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial statements, such as tax and pension laws and regulations;
  - (e) Whether management has identified and addressed events occurring between the date of the financial statements and the date of the assurance practitioner's report that require adjustment of, or disclosure in, the financial statements;
  - (f) The basis for management's assessment of the entity's ability to continue as a going concern; (Ref: Para. A89)
  - (g) Whether there are events or conditions that appear to cast doubt on the entity's ability to continue as a going concern;
  - (h) Material commitments, contractual obligations or contingencies that have affected or may affect the entity's financial statements, including disclosures; and
  - (i) Material non-monetary transactions or transactions for no consideration in the financial reporting period under consideration.
49. In designing analytical procedures, the assurance practitioner shall consider whether the data from the entity's accounting system and accounting records are adequate for the purpose of performing the analytical procedures. (Ref: Para. A90–A92)

## Procedures to Address Specific Circumstances

### Related parties

50. During the review, the assurance practitioner shall remain alert for arrangements or information that may indicate the existence of related party relationships or transactions that management has not previously identified or disclosed to the assurance practitioner.
51. If the assurance practitioner identifies significant transactions outside the entity's normal course of business in the course of performing the review, the assurance practitioner shall enquire of management about:
  - (a) The nature of those transactions;
  - (b) Whether related parties could be involved; and
  - (c) The business rationale (or lack thereof) of those transactions.

### Fraud and non-compliance with laws and regulations

52. When there is an indication that fraud or non-compliance with laws and regulations, or suspected fraud or non-compliance with laws and regulations, has occurred in the entity, the assurance practitioner shall:
  - (a) Communicate that matter, unless prohibited by law or regulation, with the appropriate level of management or those charged with governance as appropriate; (Ref: Para. A93)
  - (b) Request management's assessment of the effect(s), if any, on the financial statements;
  - (c) Consider the effect, if any, of management's assessment of the effects of identified or suspected fraud or non-compliance with laws and regulations communicated to the assurance practitioner on the assurance practitioner's conclusion on the financial statements and on the assurance practitioner's report; and
  - (d) Determine whether law, regulation or relevant ethical requirements: (Ref: Para. A94-A98)
    - (i) Require the practitioner to report to an appropriate authority outside the entity.
    - (ii) Establish responsibilities under which reporting to an appropriate authority outside the entity may be appropriate in the circumstances

### Going concern

53. A review of financial statements includes consideration of the entity's ability to continue as a going concern. In considering management's assessment of the entity's ability to continue as a going concern, the assurance practitioner shall cover the same period as that used by management to make its assessment as required by the applicable financial reporting framework, or by law or regulation where a longer period is specified.
- NZ53.1 In evaluating management's assessment of the entity's ability to continue as a going concern, the assurance practitioner shall consider the relevant period, which may be the same as or may differ from that used by management to make its assessment as required by the applicable financial reporting framework. If management's assessment of the entity's ability to continue

as a going concern covers less than the relevant period, the assurance practitioner shall request management to correspond to the review period used by the assurance practitioner.

NZ53.2 Relevant period means the period of at least 12 months from the date of the assurance practitioner's current report.

NZ53.3 The assurance practitioner shall enquire of management as to its knowledge of events or conditions beyond the period of management's assessment that may cast significant doubt on the entity's ability to continue as a going concern.

54. If, during the performance of the review, the assurance practitioner becomes aware of events or conditions that may cast significant doubt about the entity's ability to continue as a going concern, the assurance practitioner shall: (Ref: Para. A99)
- (a) Enquire of management about plans for future actions affecting the entity's ability to continue as a going concern and about the feasibility of those plans, and also whether management believes the outcome of those plans will improve the situation regarding the entity's ability to continue as a going concern;
  - (b) Evaluate the results of those enquiries, to consider whether management's responses provide a sufficient basis to:
    - (i) Continue to present the financial statements on the going concern basis if the applicable financial reporting framework includes the assumption of an entity's continuance as a going concern; or
    - (ii) Conclude whether the financial statements are materially misstated, or are otherwise misleading regarding the entity's ability to continue as a going concern; and
  - (c) Consider management's responses in light of all relevant information of which the assurance practitioner is aware as a result of the review.

#### Use of work performed by others

55. In performing the review, it may be necessary for the assurance practitioner to use work performed by other assurance practitioners, or the work of an individual or organisation possessing expertise in a field other than accounting or assurance. If the assurance practitioner uses work performed by another assurance practitioner or an expert in the course of performing the review, the assurance practitioner shall take appropriate steps to be satisfied that the work performed is adequate for the assurance practitioner's purposes. (Ref: Para. A80)

#### *Reconciling the Financial Statements to the Underlying Accounting Records*

56. The assurance practitioner shall obtain evidence that the financial statements agree with, or reconcile to, the entity's underlying accounting records. (Ref: Para. A100)

#### *Additional Procedures When the Assurance Practitioner Becomes Aware that the Financial Statements May Be Materially Misstated*

57. If the assurance practitioner becomes aware of a matter(s) that causes the assurance practitioner to believe the financial statements may be materially misstated, the assurance

practitioner shall design and perform additional procedures sufficient to enable the assurance practitioner to: (Ref: Para. A101-A105)

- (a) Conclude that the matter(s) is not likely to cause the financial statements as a whole to be materially misstated; or
- (b) Determine that the matter(s) causes the financial statements as a whole to be materially misstated.

### **Subsequent Events**

58. If the assurance practitioner becomes aware of events occurring between the date of the financial statements and the date of the assurance practitioner's report that require adjustment of, or disclosure in, the financial statements, the assurance practitioner shall request management to correct those misstatements.
59. The assurance practitioner has no obligation to perform any procedures regarding the financial statements after the date of the assurance practitioner's report. However, if, after the date of the assurance practitioner's report but before the date the financial statements are issued, a fact becomes known to the assurance practitioner that, had it been known to the assurance practitioner at the date of the assurance practitioner's report, may have caused the assurance practitioner to amend the report, the assurance practitioner shall:
  - (a) Discuss the matter with management or those charged with governance, as appropriate;
  - (b) Determine whether the financial statements need amendment; and
  - (c) If so, enquire how management intends to address the matter in the financial statements.
60. If management does not amend the financial statements in circumstances where the assurance practitioner believes they need to be amended, and the assurance practitioner's report has already been provided to the entity, the assurance practitioner shall notify management and those charged with governance not to issue the financial statements to third parties before the necessary amendments have been made. If the financial statements are nevertheless subsequently issued without the necessary amendments, the assurance practitioner shall take appropriate action to seek to prevent reliance on the assurance practitioner's report.

### **Written Representations**

61. The assurance practitioner shall request management to provide a written representation that management has fulfilled its responsibilities described in the agreed terms of engagement. The written representation shall include that: (Ref: Para. A106-A108)
  - (a) Management has fulfilled its responsibility for the preparation of financial statements in accordance with the applicable financial reporting framework, including where relevant their fair presentation, and has provided the assurance practitioner with all relevant information and access to information as agreed in the terms of the engagement; and
  - (b) All transactions have been recorded and are reflected in the financial statements.

If law or regulation requires management to make written public statements about its responsibilities, and the assurance practitioner determines that such statements provide some or all of the representations required by subparagraphs (a)–(b), the relevant matters covered by such statements need not be included in the written representation.

62. The assurance practitioner shall also request management's written representations that management has disclosed to the assurance practitioner: (Ref: Para. A107)
  - (a) The identity of the entity's related parties and all the related party relationships and transactions of which management is aware;
  - (b) Significant facts relating to any frauds or suspected frauds known to management that may have affected the entity;
  - (c) Known actual or possible non-compliance with laws and regulations for which the effects of non-compliance affect the entity's financial statements;
  - (d) All information relevant to use of the going concern assumption in the financial statements;
  - (e) That all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure, have been adjusted or disclosed;
  - (f) Material commitments, contractual obligations or contingencies that have affected or may affect the entity's financial statements, including disclosures; and
  - (g) Material non-monetary transactions or transactions for no consideration undertaken by the entity in the financial reporting period under consideration.
63. If management does not provide one or more of the requested written representations, the assurance practitioner shall: (Ref: Para. A106)
  - (a) Discuss the matter with management and those charged with governance, as appropriate;
  - (b) Re-evaluate the integrity of management, and evaluate the effect that this may have on the reliability of representations (oral or written) and evidence in general; and
  - (c) Take appropriate actions, including determining the possible effect on the conclusion in the assurance practitioner's report in accordance with this ISRE (NZ).
64. The assurance practitioner shall disclaim a conclusion on the financial statements, or withdraw from the engagement if withdrawal is possible under applicable law or regulation, as appropriate, if:
  - (a) The assurance practitioner concludes that there is sufficient doubt about the integrity of management such that the written representations are not reliable; or
  - (b) Management does not provide the required representations required by paragraph 61.

*Date of and Period(s) Covered by Written Representations*

65. The date of the written representations shall be as near as practicable to, but not after, the date of the assurance practitioner's report. The written representations shall be for all financial statements and period(s) referred to in the assurance practitioner's report.

**Evaluating Evidence Obtained from the Procedures Performed**

66. The assurance practitioner shall evaluate whether sufficient appropriate evidence has been obtained from the procedures performed and, if not, the assurance practitioner shall perform other procedures judged by the assurance practitioner to be necessary in the circumstances to be able to form a conclusion on the financial statements. (Ref: Para. A109)
67. If the assurance practitioner is not able to obtain sufficient appropriate evidence to form a conclusion, the assurance practitioner shall discuss with management and those charged with governance, as appropriate, the effects such limitations have on the scope of the review. (Ref: Para. A110-A111)

*Evaluating the Effect on the Assurance Practitioner's Report*

68. The assurance practitioner shall evaluate the evidence obtained from the procedures performed to determine the effect on the assurance practitioner's report. (Ref: Para. A109)

**Forming the Assurance Practitioner's Conclusion on the Financial Statements***Consideration of the Applicable Financial Reporting Framework in Relation to the Financial Statements*

69. In forming the conclusion on the financial statements, the assurance practitioner shall:
- (a) Evaluate whether the financial statements adequately refer to or describe the applicable financial reporting framework; (Ref: Para. A112-A113)
  - (b) Consider whether, in the context of the requirements of the applicable financial reporting framework and the results of procedures performed:
    - (i) The terminology used in the financial statements, including the title of each financial statement, is appropriate;
    - (ii) The financial statements adequately disclose the significant accounting policies selected and applied;
    - (iii) The accounting policies selected and applied are consistent with the applicable financial reporting framework and are appropriate;
    - (iv) Accounting estimates made by management appear reasonable;
    - (v) The information presented in the financial statements appears relevant, reliable, comparable, and understandable; and
    - (vi) The financial statements provide adequate disclosures to enable the intended users to understand the effects of material transactions and events on the information conveyed in the financial statements. (Ref: Para. A114–A116)
70. The assurance practitioner shall consider the impact of:

- (a) Uncorrected misstatements identified during the review, and in the previous year's review of the entity's financial statements, on the financial statements as a whole; and
  - (b) Qualitative aspects of the entity's accounting practices, including indicators of possible bias in management's judgements. (Ref: Para. A117–A118)
71. If the financial statements are prepared using a fair presentation framework, the assurance practitioner's consideration shall also include: (Ref: Para. A115)
- (a) The overall presentation, structure and content of the financial statements in accordance with the applicable framework; and
  - (b) Whether the financial statements, including the related notes, appear to represent the underlying transactions and events in a manner that achieves fair presentation or gives a true and fair view, as appropriate, in the context of the financial statements as a whole.

#### *Form of the Conclusion*

72. The assurance practitioner's conclusion on the financial statements, whether unmodified or modified, shall be expressed in the appropriate form in the context of the financial reporting framework applied in the financial statements.

#### Unmodified Conclusion

73. The assurance practitioner shall express an unmodified conclusion in the assurance practitioner's report on the financial statements as a whole when the assurance practitioner has obtained limited assurance to be able to conclude that nothing has come to the assurance practitioner's attention that causes the assurance practitioner to believe that the financial statements are not prepared, in all material respects, in accordance with the applicable financial reporting framework.
74. When the assurance practitioner expresses an unmodified conclusion, the assurance practitioner shall, unless otherwise required by law or regulation, use one of the following phrases, as appropriate: (Ref: Para. A119–A120)
- (a) "Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects (or do not give a true and fair view), ... in accordance with the applicable financial reporting framework," (for financial statements prepared using a fair presentation framework); or
  - (b) "Based on our review, nothing has come to our attention that causes us to believe that the financial statements are not prepared, in all material respects, in accordance with the applicable financial reporting framework," (for financial statements prepared using a compliance framework).

#### Modified Conclusion

75. The assurance practitioner shall express a modified conclusion in the assurance practitioner's report on the financial statements as a whole when:
- (a) The assurance practitioner determines, based on the procedures performed and the evidence obtained, that the financial statements are materially misstated; or

- (b) The assurance practitioner is unable to obtain sufficient appropriate evidence in relation to one or more items in the financial statements that are material in relation to the financial statements as a whole.
76. When the assurance practitioner modifies the conclusion expressed on the financial statements, the assurance practitioner shall:
- (a) Use the heading “Qualified Conclusion,” “Adverse Conclusion” or “Disclaimer of Conclusion,” as appropriate, for the conclusion paragraph in the assurance practitioner’s report; and
  - (b) Provide a description of the matter giving rise to the modification, under an appropriate heading (for example, “Basis for Qualified Conclusion,” “Basis for Adverse Conclusion” or “Basis for Disclaimer of Conclusion,” as appropriate), in a separate paragraph in the assurance practitioner’s report immediately before the conclusion paragraph (referred to as the basis for conclusion paragraph).

#### Financial statements are materially misstated

77. If the assurance practitioner determines that the financial statements are materially misstated, the assurance practitioner shall express:
- (a) A qualified conclusion, when the assurance practitioner concludes that the effects of the matter(s) giving rise to the modification are material, but not pervasive to the financial statements; or
  - (b) An adverse conclusion, when the effects of the matter(s) giving rise to the modification are both material and pervasive to the financial statements.
78. When the assurance practitioner expresses a qualified conclusion on the financial statements because of a material misstatement, the assurance practitioner shall, unless otherwise required by law or regulation, use one of the following phrases, as appropriate:
- (a) “Based on our review, except for the effects of the matter(s) described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects (or do not give a true and fair view), ... in accordance with the applicable financial reporting framework,” (for financial statements prepared using a fair presentation framework); or
  - (b) “Based on our review, except for the effects of the matter(s) described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the financial statements are not prepared, in all material respects, in accordance with the applicable financial reporting framework,” (for financial statements prepared using a compliance framework).
79. When the assurance practitioner expresses an adverse conclusion on the financial statements, the assurance practitioner shall, unless otherwise required by law or regulation, use one of the following phrases, as appropriate:
- (a) “Based on our review, due to the significance of the matter(s) described in the Basis for Adverse Conclusion paragraph, the financial statements do not present fairly, in all material respects (or do not give a true and fair view), ... in accordance with the



applicable financial reporting framework,” (for financial statements prepared using a fair presentation framework); or

- (b) “Based on our review, due to the significance of the matter(s) described in the Basis for Adverse Conclusion paragraph, the financial statements are not prepared, in all material respects, in accordance with the applicable financial reporting framework,” (for financial statements prepared using a compliance framework).
80. In the basis for conclusion paragraph, in relation to material misstatements that give rise to either a qualified conclusion or an adverse conclusion, the assurance practitioner shall:
- (a) Describe and quantify the financial effects of the misstatement if the material misstatement relates to specific amounts in the financial statements (including quantitative disclosures), unless impracticable, in which case the assurance practitioner shall so state;
  - (b) Explain how disclosures are misstated if the material misstatement relates to narrative disclosures; or
  - (c) Describe the nature of omitted information if the material misstatement relates to the non-disclosure of information required to be disclosed. Unless prohibited by law or regulation, the assurance practitioner shall include the omitted disclosures where practicable to do so.

#### Inability to obtain sufficient appropriate evidence

81. If the assurance practitioner is unable to form a conclusion on the financial statements due to inability to obtain sufficient appropriate evidence, the assurance practitioner shall:
- (a) Express a qualified conclusion if the assurance practitioner concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive; or
  - (b) Disclaim a conclusion if the assurance practitioner concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive.
82. The assurance practitioner shall withdraw from the engagement if the following conditions are present: (Ref: Para. A121–A123)
- (a) Due to a limitation on the scope of the review imposed by management after the assurance practitioner has accepted the engagement, the assurance practitioner is unable to obtain sufficient appropriate evidence to form a conclusion on the financial statements;
  - (b) The assurance practitioner has determined that the possible effects on the financial statements of undetected misstatements are material and pervasive; and
  - (c) Withdrawal is possible under applicable law or regulation.
83. When the assurance practitioner expresses a qualified conclusion on the financial statements due to inability to obtain sufficient appropriate evidence, the assurance practitioner shall, unless otherwise required by law or regulation, use one of the following phrases, as appropriate:

- (a) “Based on our review, except for the possible effects of the matter(s) described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects (or do not give a true and fair view), ... in accordance with the applicable financial reporting framework,” (for financial statements prepared using a fair presentation framework); or
  - (b) “Based on our review, except for the possible effects of the matter(s) described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the financial statements are not prepared, in all material respects, in accordance with the applicable financial reporting framework,” (for financial statements prepared using a compliance framework).
84. When disclaiming a conclusion on the financial statements the assurance practitioner shall state in the conclusion paragraph that:
- (a) Due to the significance of the matter(s) described in the Basis for Disclaimer of Conclusion paragraph, the assurance practitioner is unable to obtain sufficient appropriate evidence to form a conclusion on the financial statements; and
  - (b) Accordingly, the assurance practitioner does not express a conclusion on the financial statements.
85. In the basis for conclusion paragraph, in relation to either the qualified conclusion due to inability to obtain sufficient appropriate evidence or when the assurance practitioner disclaims a conclusion, the assurance practitioner shall include the reason(s) for the inability to obtain sufficient appropriate evidence.

### **The Assurance Practitioner’s Report**

86. The assurance practitioner’s report for the review engagement shall be in writing, and shall contain the following elements: (Ref: Para. A124–A127, A148, A150)
- (a) A title, which shall clearly indicate that it is the report of an independent assurance practitioner for a review engagement;
  - (b) The addressee(s), as required by the circumstances of the engagement;
  - (c) An introductory paragraph that:
    - (i) Identifies the financial statements reviewed, including identification of the title of each of the statements contained in the set of financial statements and the date and period covered by each financial statement;
    - (ii) Refers to the summary of significant accounting policies and other explanatory information; and
    - (iii) States that the financial statements have been reviewed;
  - (d) A description of the responsibility of management for the preparation of the financial statements, including an explanation that management is responsible for: (Ref: Para. A128–A131)
    - (i) Their preparation in accordance with the applicable financial reporting framework including, where relevant, their fair presentation;

- (ii) Such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- (e) If the financial statements are special purpose financial statements:
  - (i) A description of the purpose for which the financial statements are prepared and, if necessary, the intended users, or reference to a note in the special purpose financial statements that contains that information; and
  - (ii) If management has a choice of financial reporting frameworks in the preparation of such financial statements, a reference within the explanation of management's responsibility for the financial statements to management's responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances;
- (f) A description of the assurance practitioner's responsibility to express a conclusion on the financial statements including reference to this ISRE (NZ) and, where relevant, applicable law or regulation; (Ref: Para. A132–133, A149)
- (g) A description of a review of financial statements and its limitations, and the following statements: (Ref: Para. A134)
  - (i) A review engagement under this ISRE (NZ) is a limited assurance engagement;
  - (ii) The assurance practitioner performs procedures, primarily consisting of making enquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained; and
  - (iii) The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)), and, accordingly, the assurance practitioner does not express an audit opinion on the financial statements;
- (h) A paragraph under the heading "Conclusion" that contains:
  - (i) The assurance practitioner's conclusion on the financial statements as a whole in accordance with paragraphs 72–85, as appropriate; and
  - (ii) A reference to the applicable financial reporting framework used to prepare the financial statements, including identification of the jurisdiction of origin of the financial reporting framework that is not International Financial Reporting Standards or International Financial Reporting Standards for Small and Medium-sized Entities issued by the International Accounting Standards Board, or International Public Sector Accounting Standards issued by the International Public Sector Accounting Standards Board; (Ref: Para. A135–A136)
- (i) When the assurance practitioner's conclusion on the financial statements is modified:
  - (i) A paragraph under the appropriate heading that contains the assurance practitioner's modified conclusion in accordance with paragraphs 72 and 75–85, as appropriate; and

- (ii) A paragraph, under an appropriate heading, that provides a description of the matter(s) giving rise to the modification; (Ref: Para. A137)
- (j) A reference to the assurance practitioner's obligation under this ISRE (NZ) to comply with relevant ethical requirements;
- (k) The date of the assurance practitioner's report; (Ref: Para. A144-A147)
- (l) The assurance practitioner's signature; and (Ref: Para. A138)
- (m) The location in the jurisdiction where the assurance practitioner practices.

NZ86.1 The assurance practitioner's report for the review engagement shall include a statement as to the existence of any relationship (other than that of assurance practitioner) which the assurance practitioner has with, or any interests which the assurance practitioner has in, the entity or any of its subsidiaries. NZ Appendix 2A provides an example of the wording that may be used in the assurance practitioner's report to identify any relationships with, or interests in, the entity.

### *Emphasis of Matter and Other Matter Paragraphs in the Assurance Practitioner's Report*

#### Emphasis of Matter Paragraphs

87. The assurance practitioner may consider it necessary to draw users' attention to a matter presented or disclosed in the financial statements that, in the assurance practitioner's judgement, is of such importance that it is fundamental to users' understanding of the financial statements. In such cases, the assurance practitioner shall include an Emphasis of Matter paragraph in the assurance practitioner's report, provided the assurance practitioner has obtained sufficient appropriate evidence to conclude that the matter is not likely to be materially misstated as presented in the financial statements. Such paragraph shall refer only to information presented or disclosed in the financial statements.

NZ87.1 If adequate disclosure is made in the financial statements, the assurance practitioner shall add an Emphasis of Matter paragraph to the assurance practitioner's report, to highlight a material uncertainty, including one or more material uncertainties relating to an event or condition that may cast significant doubt on the entity's ability to continue as a going concern.

88. The assurance practitioner's report on special purpose financial statements shall include an Emphasis of Matter paragraph alerting users of the assurance practitioner's report that the financial statements are prepared in accordance with a special purpose framework and that, as a result, the financial statements may not be suitable for another purpose. (Ref: Para. A139–A140)

89. The assurance practitioner shall include an Emphasis of Matter paragraph immediately after the paragraph that contains the assurance practitioner's conclusion on the financial statements under the heading "Emphasis of Matter," or other appropriate heading.

#### Other Matter Paragraphs

90. If the assurance practitioner considers it necessary to communicate a matter other than those that are presented or disclosed in the financial statements that, in the assurance practitioner's judgement, is relevant to users' understanding of the review, the assurance

practitioner's responsibilities or the assurance practitioner's report and this is not prohibited by law or regulation, the assurance practitioner shall do so in a paragraph in the assurance practitioner's report with the heading "Other Matter" or other appropriate heading.

### *Other Reporting Responsibilities*

91. An assurance practitioner may be requested to address other reporting responsibilities in the assurance practitioner's report on the financial statements that are in addition to the assurance practitioner's responsibilities under this ISRE (NZ) to report on the financial statements. In such situations, those other reporting responsibilities shall be addressed by the assurance practitioner in a separate section in the assurance practitioner's report headed "Report on Other Legal and Regulatory Requirements," or otherwise as appropriate to the content of the section, following the section of the report headed "Report on the Financial Statements." (Ref: Para. A141–A143)

### *Date of the Assurance Practitioner's Report*

92. The assurance practitioner shall date the report no earlier than the date on which the assurance practitioner has obtained sufficient appropriate evidence as the basis for the assurance practitioner's conclusion on the financial statements, including being satisfied that: (Ref: Para. A144–A147)
  - (a) All the statements that comprise the financial statements under the applicable financial reporting framework, including the related notes where applicable, have been prepared; and
  - (b) Those with the recognised authority have asserted that they have taken responsibility for those financial statements.

### **Documentation**

93. The preparation of documentation for the review provides evidence that the review was performed in accordance with this ISRE (NZ), and legal and regulatory requirements where relevant, and a sufficient and appropriate record of the basis for the assurance practitioner's report. The assurance practitioner shall document the following aspects of the engagement in a timely manner, sufficient to enable an experienced assurance practitioner, having no previous connection with the engagement, to understand: (Ref: Para. A151)
  - (a) The nature, timing and extent of the procedures performed to comply with this ISRE (NZ) and applicable legal and regulatory requirements;
  - (b) Results obtained from the procedures, and the assurance practitioner's conclusions formed on the basis of those results; and
  - (c) Significant matters arising during the engagement, the assurance practitioner's conclusions reached thereon, and significant professional judgements made in reaching those conclusions.
94. In documenting the nature, timing and extent of procedures performed as required in this ISRE (NZ), the assurance practitioner shall record

- (a) Who performed the work and the date such work was completed; and
  - (b) Who reviewed the work performed for the purpose of quality management for the engagement, and the date and extent of the review.
95. The assurance practitioner shall also document discussions with management, those charged with governance, and others as relevant to the performance of the review of significant matters arising during the engagement, including the nature of those matters.
96. If, in the course of the engagement, the assurance practitioner identified information that is inconsistent with the assurance practitioner's findings regarding significant matters affecting the financial statements, the assurance practitioner shall document how the inconsistency was addressed.

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## Application and Other Explanatory Material

### Scope of this ISRE (NZ) (Ref: Para. 1–2)

- A1. In performing a review of financial statements, the assurance practitioner may be required to comply with legal or regulatory requirements, which may differ from the requirements established in this ISRE (NZ). While the assurance practitioner may find aspects of this ISRE (NZ) helpful in these circumstances, it is the responsibility of the assurance practitioner to ensure compliance with all relevant legal, regulatory and professional obligations.

### *Reviews of Financial Information of Components in the Context of an Audit of the Financial Statements of a Group of Entities*

- A2. Review engagements in accordance with this ISRE (NZ) may be requested for component entities by the auditor of the financial statements of a group of entities.<sup>7</sup> Such a review engagement performed in accordance with this ISRE (NZ) may be accompanied by a request from the group auditor to undertake additional work or procedures as needed in the circumstances of the group audit engagement.

### *Relationship with Professional and Ethical Standard 3 (Ref: Para. 4)*

- A3. Professional and Ethical Standard 3 deals with the firm's responsibilities to design, implement and operate a system of quality management for assurance engagements, including review engagements.<sup>8</sup> Professional and Ethical Standard 3 also deals with the firm's responsibility to establish policies or procedures addressing engagements that are required to be subject to engagement quality reviews.<sup>9</sup> Professional and Ethical Standard 4 deals with the appointment and eligibility of the engagement quality reviewer, and the performance and documentation of

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<sup>7</sup> ISA (NZ) 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*, paragraph A52

<sup>8</sup> Professional and Ethical Standard 3, paragraph 1

<sup>9</sup> Professional and Ethical Standard 3, paragraph 2(a)

the engagement quality review.<sup>10</sup> A system of quality management addresses the following eight components:<sup>11</sup>

- (a) The firm's risk assessment process;
- (b) Governance and leadership;
- (c) Relevant ethical requirements;
- (d) Acceptance and continuance of client relationships and specific engagements;
- (e) Engagement performance;
- (f) Resources;
- (g) Information and communication; and
- (h) The monitoring and remediation process.

Firms or national requirements may use different terminology or frameworks to describe the components of the system of quality management.

- A4. Under Professional and Ethical Standard 3, the objective of the firm is to design, implement and operate a system of quality management for assurance engagements, including reviews of financial statements, that provides the firm with reasonable assurance that:
- (a) The firm and its personnel fulfil their responsibilities in accordance with standards issued by the External Reporting Board or the New Zealand Auditing and Assurance Standards Board and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
  - (b) Engagement reports issued by the firm or engagement partners are appropriate in the circumstances.<sup>12</sup>
- A5. [Amended by the NZAuASB. Refer NZ A5.1].

NZA5.1 Professional and Ethical Standard 3 contains requirements which are at least as demanding as its international equivalent, ISQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*<sup>13</sup>, as it addresses the requirements of ISQM 1 and imposes obligations on the firm to achieve the objective of ISQM 1.

### **The Engagement to Review Historical Financial Statements (Ref: Para. 5–8, 14)**

- A6. Reviews of financial statements may be performed for a wide range of entities that vary by type or size, or by the level of complexity in their financial reporting. In some jurisdictions, the review of financial statements of certain types of entity may also be the subject of local laws or regulations and related reporting requirements.

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<sup>10</sup> Professional and Ethical Standard 3, paragraph 2(b)

<sup>11</sup> Professional and Ethical Standard 3, paragraph 6

<sup>12</sup> Professional and Ethical Standard 3, paragraph 14

<sup>13</sup> Issued by the International Auditing and Assurance Standards Board.

- A7. Reviews may be performed in a variety of circumstances. For example, they may be required for entities that are exempt from requirements specified in law or regulation for mandatory audit. Reviews may also be requested on a voluntary basis, such as in connection with financial reporting undertaken for arrangements under the terms of a private contract, or to support funding arrangements.

**Objectives** (Ref: Para. 15)

- A8. This ISRE (NZ) requires the assurance practitioner to disclaim a conclusion on the financial statements if:
- (a) The assurance practitioner issues a report, or is required to issue a report for the engagement; and
  - (b) The assurance practitioner is unable to form a conclusion on the financial statements due to inability to obtain sufficient appropriate evidence, and the assurance practitioner concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive.
- A9. The situation of being unable to obtain sufficient appropriate evidence in a review engagement (referred to as a scope limitation) may arise from:
- (a) Circumstances beyond the control of the entity;
  - (b) Circumstances relating to the nature or timing of the assurance practitioner's work; or
  - (c) Limitations imposed by management or those charged with governance of the entity.
- A10. This ISRE (NZ) sets out requirements and guidance for the assurance practitioner when the assurance practitioner encounters a scope limitation, either prior to accepting a review engagement, or during the engagement.

**Definitions** (Ref: Para. 16)

*Use of the Terms "Management" and "Those Charged with Governance"*

- A11. The respective responsibilities of management and those charged with governance will differ between jurisdictions, and between entities of various types. These differences affect the way the assurance practitioner applies the requirements of this ISRE (NZ) in relation to management or those charged with governance. Accordingly, the phrase "management and, where appropriate, those charged with governance" used in various places throughout this ISRE (NZ) is intended to alert the assurance practitioner to the fact that different entity environments may have different management and governance structures and arrangements.
- A12. Various responsibilities relating to preparation of financial information and external financial reporting will fall to either management or those charged with governance according to factors such as:
- The resources and structure of the entity; and
  - The respective roles of management and those charged with governance within the entity as set out in relevant law or regulation or, if the entity is not regulated, in any formal governance or accountability arrangements established for the entity (for



example, as recorded in contracts, a constitution or other type of establishment documents of the entity).

For example, in small entities there is often no separation of the management and governance roles. In larger entities, management is often responsible for execution of the business or activities of the entity and reporting thereon, while those charged with governance oversee management. In some jurisdictions, the responsibility for preparation of financial statements for an entity is the legal responsibility of those charged with governance, and in some other jurisdictions it is a management responsibility.

*Limited Assurance – Use of the Term Sufficient Appropriate Evidence* (Ref: Para. 17(f))

A13. Sufficient appropriate evidence is required to obtain limited assurance to support the assurance practitioner's conclusion. Evidence is cumulative in nature and is primarily obtained from the procedures performed during the course of the review.

**Conduct of a Review Engagement in Accordance with this ISRE (NZ)** (Ref: Para. 18)

A14. This ISRE (NZ) does not override laws and regulations that govern a review of financial statements. In the event that those laws and regulations differ from the requirements of this ISRE (NZ), a review conducted only in accordance with laws and regulations will not automatically comply with this ISRE (NZ).

**Ethical Requirements** (Ref: Para. 21)

A15. Professional and Ethical Standard 1 establishes the fundamental principles of ethics, which are:

- (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.

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.

A16. In the case of an engagement to review financial statements, Professional and Ethical Standard 1 (Revised) requires that the assurance practitioner be independent of the entity whose financial statements are reviewed. Professional and Ethical Standard 1 (Revised) describes independence as comprising both independence of mind and independence in appearance. The assurance practitioner's independence safeguards the assurance practitioner's ability to form a conclusion without being affected by influences that might otherwise compromise that

conclusion. Independence enhances the assurance practitioner's ability to act with integrity, to be objective and to maintain an attitude of professional scepticism.

## **Professional Scepticism and Professional Judgement**

### *Professional Scepticism* (Ref: Para. 22)

A17. Professional scepticism is necessary for the critical assessment of evidence in a review. This includes questioning inconsistencies and investigating contradictory evidence, and questioning the reliability of responses to enquiries and other information obtained from management and those charged with governance. It also includes consideration of the sufficiency and appropriateness of evidence obtained in the light of the engagement circumstances.

A18. Professional scepticism includes being alert to, for example:

- Evidence that is inconsistent with other evidence obtained.
- Information that calls into question the reliability of documents and responses to enquiries to be used as evidence.
- Conditions that may indicate possible fraud.
- Any other circumstances that suggest the need for additional procedures.

A19. Maintaining professional scepticism throughout the review is necessary if the assurance practitioner is to reduce the risks of:

- Overlooking unusual circumstances.
- Over-generalising when drawing conclusions from evidence obtained.
- Using inappropriate assumptions in determining the nature, timing and extent of the procedures performed in the review, and evaluating the results thereof.

A20. The assurance practitioner cannot be expected to disregard past experience of the honesty and integrity of the entity's management and those charged with governance. Nevertheless, a belief that management and those charged with governance are honest and have integrity does not relieve the assurance practitioner of the need to maintain professional scepticism or allow the assurance practitioner to be satisfied with evidence that is inadequate for the purpose of the review.

### *Professional Judgement* (Ref: Para. 23)

A21. Professional judgement is essential to the proper conduct of a review engagement. This is because interpretation of relevant ethical requirements and the requirements of this ISRE (NZ), and the need for informed decisions throughout the performance of a review engagement, require the application of relevant knowledge and experience to the facts and circumstances of the engagement. Professional judgement is necessary, in particular:

- Regarding decisions about materiality, and the nature, timing and extent of procedures used to meet the requirements of this ISRE (NZ), and to gather evidence.
- When evaluating whether the evidence obtained from the procedures performed reduces the engagement risk to a level that is acceptable in the engagement circumstances.

- When considering management’s judgements in applying the entity’s applicable financial reporting framework.
  - When forming the conclusion on the financial statements based on the evidence obtained, including considering the reasonableness of the estimates made by management in preparing the financial statements.
- A22. The distinguishing feature of the professional judgement expected of the assurance practitioner is that it is exercised by an assurance practitioner whose training, knowledge and experience, including in the use of assurance skills and techniques, have assisted in developing the necessary competencies to achieve reasonable judgements. Consultation on difficult or contentious matters during the course of the engagement, both within the engagement team and between the engagement team and others at the appropriate level within or outside the firm, assists the assurance practitioner in making informed and reasonable judgements.
- A23. The exercise of professional judgement in individual engagements is based on the facts and circumstances that are known by the assurance practitioner throughout the engagement, including:
- Knowledge acquired from engagements carried out with respect to the entity’s financial statements in prior periods, where applicable.
  - The assurance practitioner’s understanding of the entity and its environment, including its accounting system, and of the application of the applicable financial reporting framework in the entity’s industry.
  - The extent to which the preparation and presentation of the financial statements require the exercise of management judgement.
- A24. Professional judgement can be evaluated based on whether the judgement reached reflects a competent application of assurance and accounting principles, and is appropriate in the light of, and consistent with, the facts and circumstances that were known to the assurance practitioner up to the date of the assurance practitioner’s report.
- A25. Professional judgement needs to be exercised throughout the engagement. It also needs to be appropriately documented in accordance with the requirements of this ISRE (NZ). Professional judgement is not to be used as the justification for decisions that are not otherwise supported by the facts and circumstances of the engagement, or the evidence obtained.

#### **Engagement Level Quality Control (Ref: Para. 24–25)**

A26. Assurance skills and techniques include:

- Applying professional scepticism and professional judgement to planning and performing an assurance engagement, including obtaining and evaluating evidence;
- Understanding information systems and the role and limitations of internal control;
- Linking the consideration of materiality and engagement risks to the nature, timing and extent of procedures for the review;
- Applying procedures as appropriate to the review engagement, which may include other types of procedures in addition to enquiry and analytical procedures (such as inspection, re-calculation, re-performance, observation and confirmation);

- Systematic documentation practices; and
- Application of skills and practices relevant for writing reports for assurance engagements.

A27. Within the context of the firm's system of quality management, engagement teams have a responsibility to implement the firm's policies or procedures applicable to the engagement, and communicate to the firm information arising from the review engagement that is required to be communicated by the firm's policies or procedures to support the firm's system of quality management.

A28. The actions of the engagement partner and appropriate messages to the other members of the engagement team, in the context of the engagement partner taking overall responsibility for managing and achieving quality on each review engagement, emphasise the fact that quality is essential in performing a review engagement and the importance to the quality of the review engagement of:

- (a) Performing work that complies with standards issued by the External Reporting Board or the New Zealand Auditing and Assurance Standards Board and regulatory and legal requirements.
- (b) Complying with the firm's quality management policies or procedures as applicable.
- (c) Issuing a report for the engagement that is appropriate in the circumstances.
- (d) The engagement team's ability to raise concerns without fear of reprisals.

A29. Ordinarily, the engagement team may depend on the firm's system of quality management unless:

- The engagement team's understanding or practical experience indicates that the firm's policies or procedures will not effectively address the nature and circumstances of the engagement; or
- Information provided by the firm or other parties about the effectiveness of such policies or procedures suggests otherwise.

For example, the engagement team may depend on the firm's system of quality management in relation to:

- Competence and capabilities of personnel through their recruitment and formal training.
- Independence through the accumulation and communication of relevant independence information.
- Maintenance of client relationships through the firm's policies or procedures for acceptance and continuance of client relationships and review engagements.
- Adherence to regulatory and legal requirements through the firm's monitoring and remediation process.

In considering deficiencies<sup>14</sup> identified in the firm's system of quality management that may affect the review engagement, the engagement partner may consider the remedial actions undertaken by the firm to address those deficiencies.

A30. A deficiency in the firm's system of quality management does not necessarily indicate that a review engagement was not performed in accordance with standards issued by the External Reporting Board or the New Zealand Auditing and Assurance Standards Board and applicable legal and regulatory requirements, or that the assurance practitioner's report was not appropriate.

*Assignment of Engagement Teams* (Ref: Para. 25(b))

A31. When considering the appropriate competence and capabilities expected of the engagement team as a whole, the engagement partner may take into consideration such matters as the team's:

- Understanding of, and practical experience with, review engagements of a similar nature and complexity through appropriate training and participation.
- Understanding of standards issued by the External Reporting Board or the New Zealand Auditing and Assurance Standards Board and applicable legal and regulatory requirements.
- Technical expertise, including expertise with relevant information technology and specialised areas of accounting or assurance.
- Knowledge of relevant industries in which the client operates.
- Ability to apply professional judgement.
- Understanding of the firm's quality management policies or procedures.

*Acceptance and Continuance of Client Relationships and Review Engagements* (Ref: Para. 25(d)(i))

A32. Professional and Ethical Standard 3<sup>15</sup> requires the firm to establish quality objectives that address the acceptance and continuance of client relationships and review engagements. Information that assists the engagement partner in determining whether the firm's policies or procedures for the acceptance and continuance of client relationships and review engagements have been followed, and that conclusions reached are appropriate may include information concerning:

- The integrity of the principal owners, key management and those charged with governance; and
- Significant matters that have arisen during the current or a previous review engagement, and their implications for continuing the relationship.

A33. If the engagement partner has cause to doubt management's integrity to a degree that is likely to affect proper performance of the review, it is not appropriate under this ISRE (NZ) to accept

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<sup>14</sup> Professional and Ethical Standard 3, paragraph 16(a)

<sup>15</sup> Professional and Ethical Standard 3, Paragraph 30

the engagement, unless required by law or regulation, as doing so may lead to the assurance practitioner being associated with the entity's financial statements in an inappropriate manner.

### *Reviewing Work Performed*

#### Responsibilities to Review Work Performed (Ref: Para. NZ25.1)

- NZA33.1 Under Professional and Ethical Standard 3, the firm's responsibility policies and procedures to review work performed by the engagement team are determined on the basis that work of less experienced team members is reviewed by more experienced team members.
- NZA33.2 Reviewing the work performed by the engagement team consists of consideration whether, for example:
- Significant matters have been raised for further consideration;
  - There is a need to revise the nature, timing and extent of work performed;
  - The work performed supports the conclusions reached and is appropriately documented;
  - The evidence obtained is sufficient and appropriate to support the assurance practitioner's report; and
  - The objectives of the engagement procedures have been achieved.

#### The Engagement Partner's Review of Work Performed (Ref: Para. NZ25.1)

- NZA33.3 Timely reviews of the work performed of the following by the engagement partner at appropriate stages during the engagement allow significant matters to be resolved on a timely basis to the engagement partner's satisfaction on or before the date of the assurance practitioner's report:
- Critical areas of judgement, especially those relating to difficult or contentious matters identified during the course of the engagement;
  - Significant risks; and
  - Other areas the engagement partner considers important.

The engagement partner need not review all engagement documentation, but may do so. However, the partner documents the extent and timing of the review of the work performed.

- NZA33.4 An engagement partner taking over an engagement during the engagement may apply the procedures as described in paragraphs NZA33.2 to review the work performed to the date of a change in order to assume the responsibilities of an engagement partner.

#### *Considerations Relevant Where a Member of the Engagement Team with Expertise in a Specialised Area of Accounting or Assurance is Used* (Ref: Para. NZ25.1)

- NZA33.5 Where a member of the engagement team with expertise in a specialised area of accounting or assurance is used, direction, supervision and review of that engagement team member's work may include matters such as:
- Agreeing with that member the nature, scope and objectives of that member's work; and the respective roles of, and the nature, timing and extent of communication between that member and other members of the engagement team.

- Evaluating the adequacy of that member's work including the relevance and reasonableness of that member's findings or conclusions and their consistency with other engagement evidence.

*Consultation* (Ref: Para. NZ25.2)

NZA33.6 Effective consultation on significant technical, ethical, and other matters within the firm or, where applicable, outside the firm can be achieved when those consulted:

- Are given the relevant facts that will enable them to provide informed advice; and
- Have appropriate knowledge, seniority and experience.

NZA33.7 It may be appropriate for the engagement team to consult outside the firm, for example, where the firm lacks appropriate internal resources. They may take advantage of advisory services provided by other firms, professional and regulatory bodies, or commercial organisations that provide relevant quality control services.

Documentation

*Documentation of Consultations*

NZA33.8 Documentation of consultations with other professionals that involve difficult or contentious matters that is sufficiently complete and detailed contributes to an understanding of:

- The issue on which consultation was sought; and
- The results of the consultation, including any decisions taken, the basis for those decisions and how they were implemented.

*Threats to Independence* (Ref: Para. NZ27.1)

NZA33.9 The engagement partner may identify a threat to independence regarding the review engagement that safeguards may not be able to eliminate or reduce to an acceptable level. In that case, as required by paragraph NZ27.1(c), the engagement partner reports to the relevant person(s) within the firm to determine appropriate action, which may include eliminating the activity or interest that creates the threat, or withdrawing from the review engagement, where withdrawal is possible under applicable law or regulation.

**Acceptance and Continuance of Client Relationships and Review Engagements** (Ref: Para. 29)

A34. The assurance practitioner's consideration of acceptance and continuance of client relationships and review engagements, and relevant ethical requirements, including independence, occurs throughout the engagement, as conditions and changes in circumstances occur. Performing initial procedures on acceptance and continuance of client relationships and review engagements and evaluation of relevant ethical requirements (including independence) at the beginning of an engagement informs the assurance practitioner's decisions and actions prior to the performance of other significant activities for the engagement.

*Factors Affecting Acceptance and Continuance of Client Relationships and Review Engagements*  
(Ref: Para. 29)

A35. Assurance engagements may only be accepted when the engagement exhibits certain characteristics that are conducive to achieving the assurance practitioner's objectives specified for the engagement.

Rational Purpose (Ref: Para. 29(a)(i))

A36. It may be unlikely that there is a rational purpose for the engagement if, for example:

- (a) There is a significant limitation on the scope of the assurance practitioner's work;
- (b) The assurance practitioner suspects the engaging party intends to associate the assurance practitioner's name with the financial statements in an inappropriate manner; or
- (c) The engagement is intended to meet compliance requirements of relevant law or regulation and such law or regulation requires the financial statements to be audited.

Review Engagement Is Appropriate (Ref: Para. 29(a)(ii))

A37. When the assurance practitioner's preliminary understanding of the engagement circumstances indicates that accepting a review engagement would not be appropriate, the assurance practitioner may consider recommending that another type of engagement be undertaken. Depending on the circumstances, the assurance practitioner may, for example, believe that performance of an audit engagement would be more appropriate than a review. In other cases, if the engagement circumstances preclude performance of an assurance engagement, the assurance practitioner may recommend a compilation engagement, or other accounting services engagement, as appropriate.

Information Needed to Perform the Review Engagement (Ref: Para. 29(c))

A38. An example of where the assurance practitioner may have cause to doubt that the information needed to perform the review will be available or reliable is where the accounting records necessary for purposes of performing analytical procedures are suspected to be substantially inaccurate or incomplete. This consideration is not directed at the need that sometimes arises in the course of a review engagement to assist management by recommending adjusting entries required to finalise the financial statements prepared by management.

*Preconditions for Accepting a Review Engagement* (Ref: Para. 30)

A39. This ISRE (NZ) also requires the assurance practitioner to ascertain certain matters, upon which it is necessary for the assurance practitioner and the entity's management to agree, and which are within the control of the entity, prior to the assurance practitioner accepting the engagement.



## The Applicable Financial Reporting Framework (Ref: Para. 30(a))

A40. A condition for acceptance of an assurance engagement is that the criteria<sup>16</sup> referred to in the definition of an assurance engagement are suitable and available to intended users. For purposes of this ISRE (NZ), the applicable financial reporting framework provides the criteria the assurance practitioner uses to review the financial statements including, where relevant, the fair presentation of the financial statements. Some financial reporting frameworks are fair presentation frameworks, while others are compliance frameworks. The requirements of the applicable financial reporting framework determine the form and content of the financial statements, including what constitutes a complete set of financial statements.

## Acceptability of the applicable financial reporting framework

A41. Without an acceptable financial reporting framework, management does not have an appropriate basis for the preparation of the financial statements and the assurance practitioner does not have suitable criteria for the review of the financial statements.

A42. The assurance practitioner's determination of the acceptability of the financial reporting framework applied in the financial statements is made in the context of the assurance practitioner's understanding of who the intended users of the financial statements are. The intended users are the person, persons or group of persons for whom the assurance practitioner prepares the report. The assurance practitioner may not be able to identify all those who will read the assurance report, particularly where there is a large number of people who have access to it.

A43. In many cases, in the absence of any indications to the contrary, the assurance practitioner may presume that the applicable financial reporting framework is acceptable (for example, a financial reporting framework that is prescribed by law or regulation in a jurisdiction to be used in the preparation of general purpose financial statements for certain types of entities).

A44. Factors that are relevant to the assurance practitioner's determination of the acceptability of the financial reporting framework to be applied in the preparation of the financial statements include:

- The nature of the entity (for example, whether it is a business enterprise, a public sector entity or a not-for-profit organisation).
- The purpose of the financial statements (for example, whether they are prepared to meet the common financial information needs of a wide range of users or the financial information needs of specific users).
- The nature of the financial statements (for example, whether the financial statements are a complete set of financial statements or a single financial statement).
- Whether the applicable financial reporting framework is prescribed in relevant law or regulation.

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<sup>16</sup> EG Au1, paragraph 54

- A45. If the financial reporting framework used to prepare the financial statements is not acceptable in view of the purpose of the financial statements and management will not agree to use of a financial reporting framework that is acceptable in the assurance practitioner's view, the assurance practitioner is required under this ISRE (NZ) to decline the engagement.
- A46. Deficiencies in the applicable financial reporting framework that indicate that the framework is not acceptable may be encountered after the review engagement has been accepted. When use of that financial reporting framework is not prescribed by law or regulation, management may decide to adopt another framework that is acceptable. When management does so, the assurance practitioner is required under this ISRE (NZ) to agree the new terms of the review engagement with management to reflect the change in the applicable financial reporting framework.

Responsibilities of Management and Those Charged with Governance (Ref: Para. 30(b), 37(e))

- A47. The financial statements subject to review are those of the entity, prepared by management of the entity with oversight from those charged with governance. This ISRE (NZ) does not impose responsibilities on management and those charged with governance, nor does it override laws and regulations that govern their respective responsibilities. However, a review in accordance with this ISRE (NZ) is conducted on the premise that management, and those charged with governance as appropriate, have acknowledged certain responsibilities that are fundamental to the conduct of the review. The review of the financial statements does not relieve management and those charged with governance of their responsibilities.
- A48. As part of its responsibility for the preparation of the financial statements, management is required to exercise judgement in making accounting estimates that are reasonable in the circumstances, and to select and apply appropriate accounting policies. These judgements are made in the context of the applicable financial reporting framework.
- A49. Because of the significance of the preconditions for undertaking a review of financial statements, the assurance practitioner is required under this ISRE (NZ) to obtain the agreement of management that it understands its responsibilities before accepting a review engagement. The assurance practitioner may obtain management's agreement of either orally or in writing. However, management's agreement is subsequently recorded within the written terms of the engagement.
- A50. If management and those charged with governance, where appropriate, do not or will not acknowledge their responsibilities in relation to the financial statements, it is not appropriate to accept the engagement unless law or regulation requires the assurance practitioner to do so. In circumstances where the assurance practitioner is required to accept the review engagement, the assurance practitioner may need to explain to management and those charged with governance, where different, the importance of these matters and the implications for the engagement.

*Additional Considerations When the Wording of the Assurance Practitioner's Report Is Prescribed by Law or Regulation (Ref: Para. 34–35)*

A51. This ISRE (NZ) requires the assurance practitioner to not represent compliance with this ISRE (NZ) unless the assurance practitioner has complied with all the requirements of this ISRE (NZ) that are relevant to the review engagement. Law or regulation may prescribe matters in relation to an engagement that would ordinarily cause the assurance practitioner to decline the engagement were it possible to do so, for example, if:

- The assurance practitioner considers that the financial reporting framework prescribed by law or regulation is not acceptable; or
- The prescribed layout or wording of the assurance practitioner's report is in a form or in terms that are significantly different from the layout or wording required by this ISRE (NZ).

Under this ISRE (NZ), a review conducted in these situations does not comply with this ISRE (NZ) and the assurance practitioner cannot represent compliance with this ISRE (NZ) in the report issued for the engagement. Notwithstanding that the assurance practitioner is not permitted to represent compliance with this ISRE (NZ), the assurance practitioner is, however, encouraged to apply this ISRE (NZ), including the reporting requirements, to the extent practicable. When appropriate to avoid misunderstanding, the assurance practitioner may consider including a statement in the report that the review is not conducted in accordance with this ISRE (NZ).

*Agreeing the Terms of Engagement*

*Engagement Letter or Other Form of Written Agreement (Ref: Para. 37)*

A52. It is in the interests of both management and those charged with governance, and the assurance practitioner, that the assurance practitioner sends an engagement letter prior to performing the review engagement, to help avoid misunderstandings with respect to the engagement.

*Form and content of the engagement letter*

A53. The form and content of the engagement letter may vary for each engagement. In addition to including the matters required by this ISRE (NZ), an engagement letter may make reference to, for example:

- Arrangements concerning the involvement of other assurance practitioners and experts in the review engagement.
- Arrangements to be made with the predecessor assurance practitioner, if any, in the case of an initial engagement.
- The fact that a review engagement will not satisfy any statutory or third party requirements for an audit.
- The expectation that management will provide written representations to the assurance practitioner.

- The agreement of management to inform the assurance practitioner of facts that may affect the financial statements of which management may become aware during the period from the date of the assurance practitioner's report to the date the financial statements are issued.
- A request for management to acknowledge receipt of the engagement letter and to agree to the terms of the engagement outlined therein.

#### Review of components of groups of entities

A54. The auditor of the financial statements of a group of entities may request that an assurance practitioner perform a review of the financial information of a component entity of the group. Depending on the instructions of the group auditor, a review of the financial information of a component may be performed in accordance with this ISRE (NZ). The group auditor may also specify additional procedures to supplement the work done for the review performed under this ISRE (NZ). Where the assurance practitioner conducting the review is the auditor of the component entity's financial statements, the review is not performed in accordance with this ISRE (NZ).

#### Responsibilities of management prescribed by law or regulation (Ref: Para. 37(e))

A55. If, in the circumstances of the engagement, the assurance practitioner concludes that it is not necessary to record certain terms of the engagement in an engagement letter, the assurance practitioner is still required to seek the written agreement from management, and those charged with governance, where appropriate, required under this ISRE (NZ) that they acknowledge and understand their responsibilities set out in this ISRE (NZ). This written agreement may use the wording of the law or regulation if the law or regulation establishes responsibilities for management that are equivalent in effect to those described in this ISRE (NZ).

#### Illustrative Engagement Letter (Ref: Para. 37)

A56. An illustrative engagement letter for a review engagement is set out in Appendix 1 to this ISRE (NZ).

#### Recurring Engagements (Ref: Para. 38)

A57. The assurance practitioner may decide not to send a new engagement letter or other written agreement each period. However, the following factors may indicate that it is appropriate to revise the terms of the review engagement or to remind management and those charged with governance, as appropriate, of the existing terms of the engagement:

- Any indication that management misunderstands the objective and scope of the review.
- Any revised or special terms of the engagement.
- A recent change of senior management of the entity.
- A significant change in ownership of the entity.
- A significant change in nature or size of the entity's business.

- A change in legal or regulatory requirements affecting the entity.
- A change in the applicable financial reporting framework.

*Acceptance of a Change in the Terms of the Review Engagement*

Request to Change the Terms of the Review Engagement (Ref: Para. 39)

A58. A request from the entity for the assurance practitioner to change the terms of the review engagement may result from factors including:

- A change in circumstances affecting the need for the service.
- Misunderstanding as to the nature of a review engagement as originally requested.
- A restriction on the scope of the review engagement, whether imposed by management or caused by other circumstances.

A59. A change in circumstances that affects the entity's requirements or a misunderstanding concerning the nature of the service originally requested may be considered a reasonable basis for requesting a change to the terms of the review engagement.

A60. In contrast, a change may not be considered reasonable if it appears that the change relates to information that is incorrect, incomplete or otherwise unsatisfactory. An example might be where the assurance practitioner is unable to obtain sufficient appropriate evidence for a material item in the financial statements, and management asks for the engagement to be changed to a related services engagement to avoid the expression of a modified conclusion by the assurance practitioner.

Request to Change the Nature of the Engagement (Ref: Para. 40)

A61. Before agreeing to change a review engagement to another type of engagement or related service, an assurance practitioner who was engaged to perform a review in accordance with this ISRE (NZ) may need to assess, in addition to the matters referred to in this ISRE (NZ), any legal or contractual implications of the change.

A62. If the assurance practitioner concludes that there is reasonable justification to change the review engagement to another type of engagement or related service, the work performed in the review engagement to the date of change may be relevant to the changed engagement; however, the work required to be performed and the report to be issued would be those appropriate to the revised engagement. In order to avoid confusing the reader, the report on the other engagement or related service would not include reference to:

- (a) The original review engagement; or
- (b) Any procedures that may have been performed in the original review engagement, except where the review engagement is changed to an engagement to perform agreed-upon procedures and thus reference to the procedures performed is a normal part of the report.

**Communication with Management and Those Charged with Governance** (Ref: Para. 42)

A63. In a review engagement, the assurance practitioner's communications with management and those charged with governance take the form of:

- (a) Enquiries the assurance practitioner makes in the course of performing the procedures for the review; and
- (b) Other communications, in the context of having effective two-way communication to understand matters arising and to develop a constructive working relationship for the engagement.

A64. The appropriate timing for communications will vary with the circumstances of the engagement. Relevant factors include the significance and nature of the matter, and any action expected to be taken by management or those charged with governance. For example, it may be appropriate to communicate a significant difficulty encountered during the review as soon as practicable if management or those charged with governance are able to assist the assurance practitioner to overcome the difficulty.

A65. Law or regulation may restrict the assurance practitioner's communication of certain matters with those charged with governance. For example, law or regulation may specifically prohibit a communication, or other action, that might prejudice an investigation by an appropriate authority into an actual, or suspected, illegal act. In some circumstances, potential conflicts between the assurance practitioner's obligations of confidentiality and obligations to communicate may be complex. In such cases, the assurance practitioner may consider obtaining legal advice.

#### *Communicating Matters Concerning the Review*

A66. Matters to be communicated to management or those charged with governance, as appropriate, under this ISRE (NZ) may include:

- The assurance practitioner's responsibilities in the review engagement, as included in the engagement letter or other suitable form of written agreement.
- Significant findings from the review, for example:
  - The assurance practitioner's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.
  - Significant findings from the performance of procedures, including situations where the assurance practitioner considered performance of additional procedures necessary under this ISRE (NZ). The assurance practitioner may need to confirm that those charged with governance have the same understanding of the facts and circumstances relevant to specific transactions or events.
  - Matters arising that may lead to modification of the assurance practitioner's conclusion.
  - Significant difficulties, if any, encountered during the review; for example, unavailability of expected information; unexpected inability to obtain evidence that the assurance practitioner considers necessary for the review; or restrictions imposed on the assurance practitioner by management. In some circumstances, such difficulties may constitute a scope limitation that, if not addressed by management or those charged with governance, may lead to modification of the

assurance practitioner's conclusion or to the assurance practitioner's withdrawal from the engagement in certain circumstances.

A67. In some entities, different persons are responsible for the management and the governance of an entity. In these circumstances, management may have the responsibility to communicate matters of governance interest to those charged with governance. Communication by management with those charged with governance of matters that the assurance practitioner is required to communicate does not relieve the assurance practitioner of the responsibility to also communicate them to those charged with governance. However, communication of these matters by management may affect the form or timing of the assurance practitioner's communication with those charged with governance.

#### *Communication with Third Parties*

A68. In some circumstances, the assurance practitioner may be required by law or regulation to, for example:

- Notify a regulatory or enforcement body of certain matters communicated with those charged with governance. For example, in some circumstances the assurance practitioner has a duty to report misstatements to authorities where management and those charged with governance fail to take corrective action.
- Submit copies of certain reports prepared for those charged with governance to relevant regulatory or funding bodies or, in some cases, make such reports publicly available.

A69. Unless required by law or regulation to provide a third party with a copy of the assurance practitioner's written communications with those charged with governance, the assurance practitioner may need the prior consent of management or those charged with governance before doing so.

### **Performing the Engagement**

#### *Materiality in a Review of Financial Statements (Ref: Para. 43)*

A70. The assurance practitioner's consideration of materiality is made in the context of the applicable financial reporting framework. Some financial reporting frameworks discuss the concept of materiality in the context of the preparation and presentation of financial statements. Although financial reporting frameworks may discuss materiality in different terms, they generally explain that:

- Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the decisions of users taken on the basis of the financial statements;
- Judgements about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and
- Judgements about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a

group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered.

A71. If present in the applicable financial reporting framework, a discussion of the concept of materiality provides a frame of reference for the assurance practitioner in determining materiality for the review. If not present, the above considerations provide the assurance practitioner with a frame of reference.

A72. The assurance practitioner's determination of materiality is a matter of professional judgement, and is affected by the assurance practitioner's perception of the needs of the intended users of the financial statements. In this context, it is reasonable for the assurance practitioner to assume that users:

- Have a reasonable knowledge of business and economic activities and accounting, and a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented and reviewed to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- Make reasonable decisions on the basis of the information in the financial statements.

Further, unless the review engagement is undertaken for financial statements that are intended to meet the particular needs of specific users, the possible effect of misstatements on specific users, whose information needs may vary widely, is not ordinarily considered.

A73. The assurance practitioner's judgement about what is material in relation to the financial statements as a whole is the same regardless of the level of assurance obtained by an assurance practitioner as the basis for expressing the conclusion on the financial statements.

#### Revising Materiality (Ref: Para. 44)

A74. The assurance practitioner's determination of materiality for the financial statements as a whole may need to be revised during the engagement as a result of:

- A change in the circumstances that occurred during the review (for example, a decision to dispose of a major part of the entity's business).
- New information, or a change in the assurance practitioner's understanding of the entity and its environment as a result of performing procedures for the review in accordance with this ISRE (NZ) (for example, if during the review it appears as though actual financial results are likely to be substantially different from the anticipated period-end financial results that were used initially to determine materiality for the financial statements as a whole).

#### *The Assurance Practitioner's Understanding* (Ref: Para. 45–46)

A75. The assurance practitioner uses professional judgement to determine the extent of the understanding of the entity and its environment required to perform the review of the entity's financial statements in accordance with this ISRE (NZ). The assurance practitioner's primary



consideration is whether the understanding obtained is sufficient to meet the assurance practitioner's objectives for the engagement. The breadth and depth of the overall understanding that the assurance practitioner obtains is less than that possessed by management.

- A76. Obtaining an understanding of the entity and its environment is a continual dynamic process of gathering, updating and analysing information throughout the review engagement. The assurance practitioner's understanding is obtained and applied on an iterative basis throughout performance of the engagement, and is updated as changes in conditions and circumstances occur. Initial procedures for engagement acceptance and continuance at the time of commencement of a review engagement are based on the assurance practitioner's preliminary understanding of the entity and of the engagement circumstances. In a continuing client relationship, the assurance practitioner's understanding includes knowledge obtained from prior engagements performed by the assurance practitioner in relation to the entity's financial statements and other financial information.
- A77. The understanding establishes a frame of reference within which the assurance practitioner plans and performs the review engagement, and exercises professional judgement throughout the engagement. Specifically, the understanding needs to be sufficient for the assurance practitioner to be able to identify areas in the financial statements where material misstatements are likely to arise, to inform the assurance practitioner's approach to designing and performing procedures to address those areas.
- A78. In obtaining an understanding of the entity and its environment, and of the applicable financial reporting framework, the assurance practitioner may also consider:
- Whether the entity is a component of a group of entities, or an associated entity of another entity.
  - The complexity of the financial reporting framework.
  - The entity's financial reporting obligations or requirements, and whether those obligations or requirements exist under applicable law or regulation or in the context of voluntary financial reporting arrangements established under formalised governance or accountability arrangements, for example, under contractual arrangements with third parties.
  - Relevant provisions of laws and regulations that are generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial statements, such as tax and pension laws and regulations.
  - The level of development of the entity's management and governance structure regarding management and oversight of the entity's accounting records and financial reporting systems that underpin preparation of the financial statements. Smaller entities often have fewer employees, which may influence how management exercises oversight. For example, segregation of duties may not be practicable. However, in a small owner-managed entity, the owner-manager may be able to exercise more effective oversight than in a larger entity. This oversight may compensate for the generally more limited opportunities for segregation of duties.

- The “tone at the top” and the entity’s control environment through which the entity addresses risks relating to financial reporting and compliance with the entity’s financial reporting obligations.
- The level of development and complexity of the entity’s financial accounting and reporting systems and related controls through which the entity’s accounting records and related information are maintained.
- The entity’s procedures for recording, classifying and summarising transactions, accumulating information for inclusion in the financial statements and related disclosures.
- The types of matters that required accounting adjustments in the entity’s financial statements in prior periods.

NZA78.1 Internal control is defined as the process designed, implemented and maintained by those charged with governance, management and other personnel to provide reasonable assurance about the achievement of an entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The term "controls" refers to any aspect of one or more of the components of internal control. In a review engagement, the assurance practitioner does not have a responsibility to evaluate the design of controls, to determine whether they have been implemented, or to evaluate their operating effectiveness. However, the assurance practitioner should make enquiries of management and others within the entity about the controls related to the entity’s financial accounting and reporting systems in place during the financial reporting period that management believes may prevent, or detect and correct, material misstatements in the financial statements. Such enquiries may help the assurance practitioner to identify risks that are likely to result in material misstatement of the financial statements. Further, if the assurance practitioner becomes aware of a matter(s) that causes the assurance practitioner to believe the financial statements may be materially misstated, the assurance practitioner’s knowledge of the entity’s controls may assist the assurance practitioner to design and perform additional procedures.

*Designing and Performing Procedures* (Ref: Para. 47, 55)

- A79. The planned nature, timing and extent of the procedures the assurance practitioner considers are needed to obtain sufficient appropriate evidence as the basis for a conclusion on the financial statements as a whole are influenced by:
- (a) The requirements of this ISRE (NZ); and
  - (b) Requirements established under applicable law or regulation, including additional reporting requirements contained in applicable laws or regulations.
- A80. When the assurance practitioner is engaged to review the financial statements of a group of entities, the planned nature, timing and extent of the procedures for the review are directed at achieving the assurance practitioner’s objectives for the review engagement stated in this ISRE (NZ), but in the context of the group financial statements.
- A81. The requirements of this ISRE (NZ) relating to designing and performing enquiry and analytical procedures, and procedures addressing specific circumstances, are designed to

enable the assurance practitioner to achieve the objectives specified in this ISRE (NZ). The circumstances of review engagements vary widely and, accordingly, there may be circumstances where the assurance practitioner may consider it effective or efficient to design and perform other procedures. For example, if in the course of obtaining an understanding of the entity, the assurance practitioner becomes aware of a significant contract the assurance practitioner may choose to read the contract.

A82. The fact that the assurance practitioner may deem it necessary to perform other procedures does not alter the assurance practitioner's objective of obtaining limited assurance in relation to the financial statements as a whole.

#### Significant or Unusual Transactions

A83. The assurance practitioner may consider reviewing the accounting records with a view to identifying significant or unusual transactions that may require specific attention in the review.

#### Enquiry (Ref: Para. 46–48)

A84. In a review, enquiry includes seeking information of management and other persons within the entity, as the assurance practitioner considers appropriate in the engagement circumstances. The assurance practitioner may also extend enquiries to obtain non-financial data if appropriate. Evaluating the responses provided by management is integral to the enquiry process.

A85. Depending on the engagement circumstances, enquiries may also include enquiries about:

- Actions taken at meetings of owners, those charged with governance and committees thereof, and proceedings at other meetings, if any, that affect the information and disclosures contained in the financial statements.
- Communications the entity has received, or expects to receive or obtain, from regulatory agencies.
- Matters arising in the course of applying other procedures. When performing further enquiries in relation to identified inconsistencies, the assurance practitioner considers the reasonableness and consistency of management's responses in light of the results obtained from other procedures, and the assurance practitioner's knowledge and understanding of the entity and the industry in which it operates.

A86. Evidence obtained through enquiry is often the principal source of evidence about management intent. However, information available to support management's intent may be limited. In that case, understanding management's past history of carrying out its stated intentions, management's stated reasons for choosing a particular course of action, and management's ability to pursue a specific course of action may provide relevant information to corroborate the evidence obtained through enquiry. Application of professional scepticism in evaluating responses provided by management is important to enable the assurance practitioner to evaluate whether there are any matter(s) that would cause the assurance practitioner to believe the financial statements may be materially misstated.

A87. Performing enquiry procedures assists the assurance practitioner also in obtaining or updating the assurance practitioner's understanding of the entity and its environment, to be able to identify areas where material misstatements are likely to arise in the financial statements.

A88 [Amended by the NZAuASB]

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;<sup>17</sup> 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).

Enquiry about the entity's ability to continue as a going concern (Ref: Para. 48(f))

A89. Often in smaller entities, management may not have prepared an assessment of the entity's ability to continue as a going concern, but instead may rely on knowledge of the business and anticipated future prospects. In these circumstances, it may be appropriate to discuss the medium and long-term prospects and financing of the entity with management, including consideration of whether management's contentions are not inconsistent with the assurance practitioner's understanding of the entity.

Analytical Procedures (Ref: Para. 46–47, 49)

A90. In a review of financial statements, performing analytical procedures assists the assurance practitioner in:

- Obtaining or updating the assurance practitioner's understanding of the entity and its environment, including to be able to identify areas where material misstatements are likely to arise in the financial statements.
- Identifying inconsistencies or variances from expected trends, values or norms in the financial statements such as the level of congruence of the financial statements with key data, including key performance indicators.
- Providing corroborative evidence in relation to other enquiry or analytical procedures already performed.

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<sup>17</sup> See, for example, paragraphs R360.16.1-360.18 A1 of Professional and Ethical Standard 1

- Serving as additional procedures when the assurance practitioner becomes aware of matter(s) that cause the assurance practitioner to believe that the financial statements may be materially misstated. An example of such an additional procedure is a comparative analysis of monthly revenue and cost figures across profit centers, branches or other components of the entity, to provide evidence about financial information contained in line items or disclosures contained in the financial statements.

A91. Various methods may be used to perform analytical procedures. These methods range from performing simple comparisons to performing complex analysis using statistical techniques. The assurance practitioner may, for example, apply analytical procedures to evaluate the financial information underlying the financial statements through analysis of plausible relationships among both financial and non-financial data, and assessment of results for consistency with expected values with a view to identifying relationships and individual items that appear unusual, or that vary from expected trends or values. The assurance practitioner would compare recorded amounts, or ratios developed from recorded amounts, to expectations developed by the assurance practitioner from information obtained from relevant sources. Examples of sources of information the assurance practitioner often uses to develop expectations, depending on the engagement circumstances, include:

- Financial information for comparable prior period(s), taking known changes into account.
- Information about expected operating and financial results, such as budgets or forecasts including extrapolations from interim or annual data.
- Relationships among elements of financial information within the period.
- Information regarding the industry in which the entity operates, such as gross margin information, or comparison of the entity's ratio of sales to accounts receivable with industry averages or with other entities of comparable size in the same industry.
- Relationships of financial information with relevant non-financial information, such as payroll costs to number of employees.

A92. The assurance practitioner's consideration of whether data to be used for analytical procedures are satisfactory for the intended purpose(s) of those procedures is based on the assurance practitioner's understanding of the entity and its environment, and is influenced by the nature and source of the data, and by the circumstances in which the data are obtained. The following considerations may be relevant:

- Source of the information available. For example, information may be more reliable when it is obtained from independent sources outside the entity;
- Comparability of the information available. For example, broad industry data may need to be supplemented or be adjusted to be comparable to data of an entity that produces and sells specialised products;
- Nature and relevance of the information available; for example, whether the entity's budgets are established as results to be expected rather than as goals to be achieved; and

- The knowledge and expertise involved in the preparation of the information, and related controls that are designed to ensure its completeness, accuracy and validity. Such controls may include, for example, controls over the preparation, review and maintenance of budgetary information.

### Procedures to Address Specific Circumstances

#### Fraud and non-compliance with laws or regulations (Ref: Para. 52(d))

##### Communication with management and those charged with governance

A93. In some jurisdictions, law or regulation may restrict the assurance practitioner's communication of certain matters with management or those charged with governance. Law or regulation may specifically prohibit a communication, or other action, that might prejudice an investigation by an appropriate authority into an actual, or suspected, illegal act, including alerting the entity, for example, when the assurance practitioner is required to report identified or suspected non-compliance with laws and regulations to an appropriate authority pursuant to anti-money laundering legislation. In these circumstances, the issues considered by the assurance practitioner may be complex and the assurance practitioner may consider it appropriate to obtain legal advice.

#### *Reporting of identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity*

- A94. Reporting identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity may be required or appropriate in the circumstances because:
- (a) Law, regulation or relevant ethical requirements require the assurance practitioner to report;
  - (b) The assurance practitioner has determined reporting is an appropriate action to respond to identified or suspected non-compliance in accordance with relevant ethical requirements (see paragraph A92a); or
  - (c) Law, regulation or relevant ethical requirements provide the assurance practitioner with the right to do so (see paragraph A92b).

A95. [Amended by the NZAuASB]

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 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.<sup>18</sup> Professional and Ethical Standard 1 explains that such reporting would not be considered a breach of the duty of confidentiality under Professional and Ethical Standard 1 (Revised).<sup>19</sup>

<sup>18</sup> See, for example, paragraphs R360.19-360.24 A1 of Professional and Ethical Standard 1

<sup>19</sup> See, for example, paragraphs R114.1, 114.1 A1 and R360.26 of Professional and Ethical Standard 1

- A96. Even if law, regulation or relevant ethical requirements do not include requirements that address reporting identified or suspected non-compliance, they may provide the assurance practitioner with the right to report identified or suspected fraud or non-compliance with laws and regulations to an appropriate authority outside the entity.
- A97. In other 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.
- A98. The determination required by paragraph 52(d) may involve complex considerations and professional judgements. Accordingly, the assurance practitioner may consider consulting internally (e.g., within the firm or a network firm) or on a confidential basis with a regulator or a professional body (unless doing so is prohibited by law or regulation or would breach the duty of confidentiality). The assurance practitioner may also consider obtaining legal advice to understand the assurance practitioner's options and the professional or legal implications of taking any particular course of action.

Events or conditions that may cast doubt regarding use of the going concern assumption in the financial statements (Ref: Para. 54)

- A99. The list of factors below gives examples of events or conditions that, individually or collectively, may cast significant doubt about the going concern assumption. The list is not all-inclusive, and the existence of one or more of the items does not always signify that uncertainty exists about whether the entity can continue as a going concern.

#### Financial

- Net liability or net current liability position
- Fixed-term borrowings approaching maturity without realistic prospects of renewal or repayment, or excessive reliance on short-term borrowings to finance long-term assets
- Indications of withdrawal of financial support by creditors
- Negative operating cash flows indicated by historical or prospective financial statements
- Adverse key financial ratios
- Substantial operating losses or significant deterioration in the value of assets used to generate cash flows
- Arrears or discontinuance of dividends
- Inability to pay creditors on due dates
- Inability to comply with the terms of loan agreements
- Change from credit to cash-on-delivery transactions with suppliers
- Inability to obtain financing for essential new product development or other essential investments

## Operating

- Management intentions to liquidate the entity or to cease operations
- Loss of key management without replacement
- Loss of a major market, key customer(s), franchise, license, or principal supplier(s)
- Labour difficulties
- Shortages of important supplies
- Emergence of a highly successful competitor

## Other

- Non-compliance with capital or other statutory requirements
- Pending legal or regulatory proceedings against the entity that may, if successful, result in claims that the entity is unlikely to be able to satisfy
- Changes in law or regulation or government policy expected to adversely affect the entity
- Uninsured or underinsured catastrophes when they occur

The significance of such events or conditions often can be mitigated by other factors. For example, the effect of an entity being unable to make its normal debt repayments may be counter-balanced by management's plans to maintain adequate cash flows by alternative means, such as by disposing of assets, rescheduling loan repayments, or obtaining additional capital. Similarly, the loss of a principal supplier may be mitigated by the availability of a suitable alternative source of supply.

*Reconciling the Financial Statements to the Underlying Accounting Records (Ref: Para. 56)*

A100. The assurance practitioner ordinarily obtains evidence that the financial statements agree with, or reconcile to, the underlying accounting records by tracing the financial statement amounts and balances to the relevant accounting records such as the general ledger, or to a summary record or schedule that reflects the agreement or reconciliation of the financial statement amounts with the underlying accounting records (such as a trial balance).

*Performing Additional Procedures (Ref: Para. 57)*

A101. Additional procedures are required under this ISRE (NZ) if the assurance practitioner becomes aware of a matter that causes the assurance practitioner to believe the financial statements may be materially misstated.

A102. The assurance practitioner's response in undertaking additional procedures with respect to an item the assurance practitioner has cause to believe may be materially misstated in the financial statements will vary, depending on the circumstances, and is a matter for the assurance practitioner's professional judgement.

A103. The assurance practitioner's judgement about the nature, timing and extent of additional procedures that are needed to obtain evidence to either conclude that a material misstatement is not likely, or determine that a material misstatement exists, is guided by:



- Information obtained from the assurance practitioner's evaluation of the results of the procedures already performed;
- The assurance practitioner's updated understanding of the entity and its environment obtained throughout the course of the engagement; and
- The assurance practitioner's view on the persuasiveness of evidence needed to address the matter that causes the assurance practitioner to believe that the financial statements may be materially misstated.

A104. Additional procedures focus on obtaining sufficient appropriate evidence to enable the assurance practitioner to form a conclusion on matters that the assurance practitioner believes may cause the financial statements to be materially misstated. The procedures may be:

- Additional enquiry or analytical procedures, for example, being performed in greater detail or being focused on the affected items (i.e. amounts or disclosures concerning the affected accounts or transactions as reflected in the financial statements); or
- Other types of procedures, for example, substantive test of details or external confirmations.

A105. The following example illustrates the assurance practitioner's evaluation of the need to perform additional procedures, and the assurance practitioner's response when the assurance practitioner believes additional procedures are necessary.

- In the course of performing the enquiry and analytical procedures for the review, the assurance practitioner's analysis of accounts receivable shows a material amount of past due accounts receivable, for which there is no allowance for bad or doubtful debts.
- This causes the assurance practitioner to believe that the accounts receivable balance in the financial statements may be materially misstated. The assurance practitioner then enquires of management whether there are uncollectible accounts receivable that would need to be shown as being impaired.
- Depending on management's response, the assurance practitioner's evaluation of the response may:
  - (a) Enable the assurance practitioner to conclude that the accounts receivable balance is not likely to be materially misstated. In that case, no further procedures are required.
  - (b) Enable the assurance practitioner to determine that the matter causes the financial statements to be materially misstated. No further procedures are required, and the assurance practitioner would form the conclusion that the financial statements as a whole are materially misstated.
  - (c) Lead the assurance practitioner to continue to believe that the accounts receivable balance is likely to be materially misstated, while not providing sufficient appropriate evidence for the assurance practitioner to determine that they are in fact misstated.

In that case, the assurance practitioner is required to perform additional procedures, for example, requesting from management an analysis of amounts received for those accounts after the balance sheet date to identify uncollectible accounts receivable. The evaluation of the results of the additional procedures may enable the assurance practitioner to get to (a) or (b) above. If not, the assurance practitioner is required to:

- (i) Continue performing additional procedures until the assurance practitioner reaches either (a) or (b) above; or
- (ii) If the assurance practitioner is not able to either conclude that the matter is not likely to cause the financial statements as a whole to be materially misstated, or to determine that the matter does cause the financial statements as a whole to be materially misstated, then a scope limitation exists and the assurance practitioner is not able to form an unmodified conclusion on the financial statements.

### **Written Representations (Ref: Para. 61–63)**

A106. Written representations are an important source of evidence in a review engagement. If management modifies or does not provide the requested written representations, it may alert the assurance practitioner to the possibility that one or more significant issues may exist. Further, a request for written, rather than oral, representations in many cases may prompt management to consider such matters more rigorously, thereby enhancing the quality of the representations.

A107. In addition to the written representations required under this ISRE (NZ), the assurance practitioner may consider it necessary to request other written representations about the financial statements. These may be needed, for example, to complete the assurance practitioner's evidence with respect to certain items or disclosures reflected in the financial statements where the assurance practitioner considers such representations to be important in forming a conclusion on the financial statements on either a modified or unmodified basis.

A108. In some cases, management may include in the written representations qualifying language to the effect that representations are made to the best of management's knowledge and belief. It is reasonable for the assurance practitioner to accept such wording if the assurance practitioner is satisfied that the representations are being made by those with appropriate responsibilities and knowledge of the matters included in the representations.

### **Evaluating Evidence Obtained from the Procedures Performed (Ref: Para. 66–68)**

A109. In some circumstances, the assurance practitioner may not have obtained the evidence that the assurance practitioner had expected to obtain through the design of primarily enquiry and analytical procedures and procedures addressing specific circumstances. In these circumstances, the assurance practitioner considers that the evidence obtained from the procedures performed is not sufficient and appropriate to be able to form a conclusion on the financial statements. The assurance practitioner may:

- Extend the work performed; or

- Perform other procedures judged by the assurance practitioner to be necessary in the circumstances.

Where neither of these is practicable in the circumstances, the assurance practitioner will not be able to obtain sufficient appropriate evidence to be able to form a conclusion and is required by this ISRE (NZ) to determine the effect on the assurance practitioner's report, or on the assurance practitioner's ability to complete the engagement, for example, if a member of management is unavailable at the time of the review to respond to the assurance practitioner's enquiries on significant matters. This situation may arise even though the assurance practitioner has not become aware of a matter(s) that causes the assurance practitioner to believe the financial statements may be materially misstated, as addressed in paragraph 57.

### *Scope Limitations*

- A110. Inability to perform a specific procedure does not constitute a limitation on the scope of the review if the assurance practitioner is able to obtain sufficient appropriate evidence by performing other procedures.
- A111. Limitations on the scope of the review imposed by management may have other implications for the review, such as for the assurance practitioner's consideration of areas where the financial statements are likely to be materially misstated, and engagement continuance.

### **Forming the Assurance Practitioner's Conclusion on the Financial Statements**

#### *Description of the Applicable Financial Reporting Framework (Ref: Para. 69(a))*

- A112. The description of the applicable financial reporting framework in the financial statements is important because it advises users of the financial statements of the framework on which the financial statements are based. If the financial statements are special purpose financial statements, they may be prepared under a special purpose financial reporting framework that is available only to the engaging party and the assurance practitioner. Description of the special purpose financial reporting framework used is important as the special purpose financial statements may not be appropriate for any use other than the intended use identified for the special purpose financial statements.
- A113. A description of the applicable financial reporting framework that contains imprecise qualifying or limiting language (for example, "the financial statements are in substantial compliance with International Financial Reporting Standards") is not an adequate description of that framework as it may mislead users of the financial statements.

#### *Disclosure of Effects of Material Transactions and Events on Information Conveyed in the Financial Statements (Ref: Para. 69(b)(vi), 71)*

- A114. The assurance practitioner is required under this ISRE (NZ) to evaluate whether the financial statements provide adequate disclosures to enable the intended users to understand the effect of material transactions and events on the entity's financial position, financial performance and cash flows.
- A115. In the case of financial statements prepared in accordance with the requirements of a fair presentation framework, management may need to include additional disclosures in the

financial statements beyond those specifically required by the applicable financial reporting framework or, in extremely rare circumstances, to depart from a requirement in the framework, in order to achieve the fair presentation of the financial statements.

#### Considerations When a Compliance Framework Is Used

A116. It will be extremely rare for the assurance practitioner to consider financial statements prepared in accordance with a compliance framework to be misleading if, in accordance with this ISRE (NZ), the assurance practitioner has determined at the time of engagement acceptance that the framework is acceptable.

#### *Qualitative Aspects of the Entity's Accounting Practices* (Ref: Para. 70(b))

A117. In considering the qualitative aspects of the entity's accounting practices, the assurance practitioner may become aware of possible bias in management's judgements. The assurance practitioner may conclude that the cumulative effect of a lack of neutrality, together with the effect of apparent uncorrected misstatements, causes the financial statements as a whole to be materially misstated. Indicators of a lack of neutrality that may affect the assurance practitioner's evaluation of whether the financial statements as a whole may be materially misstated include the following:

- The selective correction of apparent misstatements brought to management's attention during the review (for example, correcting misstatements with the effect of increasing reported earnings, but not correcting misstatements that have the effect of decreasing reported earnings).
- Possible management bias in the making of accounting estimates.

A118. Indicators of possible management bias do not necessarily mean there are misstatements for purposes of drawing conclusions on the reasonableness of individual accounting estimates. They may, however, affect the assurance practitioner's consideration of whether the financial statements as a whole may be materially misstated.

#### *Form of the Conclusion* (Ref: Para. 74)

##### Description of the Information the Financial Statements Present

A119. In the case of financial statements prepared in accordance with a fair presentation framework, the assurance practitioner's conclusion states that nothing has come to the assurance practitioner's attention that causes the assurance practitioner to believe that the financial statements do not present fairly, in all material respects, ... (or do not give a true and fair view of ...) in accordance with [the applicable fair presentation framework]. In the case of many general purpose frameworks, for example, the financial statements are required to fairly present (or give a true and fair view of) the financial position of the entity as at the end of a period, and the entity's financial performance and cash flows for that period.

“Present fairly, in all material respects” or “gives a true and fair view”

A120. Whether the phrase “present fairly, in all material respects,” or the phrase “gives a true and fair view” is used in any particular jurisdiction is determined by the law or regulation

governing the review of financial statements in that jurisdiction, or by generally accepted practice in that jurisdiction. Where law or regulation requires the use of different wording, this does not affect the requirement in this ISRE (NZ) for the assurance practitioner to evaluate the fair presentation of financial statements prepared in accordance with a fair presentation framework.

*Inability to Form a Conclusion Due to a Management-Imposed Limitation on the Scope of the Review after Engagement Acceptance* (Ref: Para. 15, 82)

A121. The practicality of withdrawing from the engagement may depend on the stage of completion of the engagement at the time that management imposes the scope limitation. If the assurance practitioner has substantially completed the review, the assurance practitioner may decide to complete the review to the extent possible, disclaim a conclusion and explain the scope limitation in the paragraph in the report that describes the basis for disclaiming a conclusion.

A122. In certain circumstances, withdrawal from the engagement may not be possible if the assurance practitioner is required by law or regulation to continue the engagement. For example, this may be the case for an assurance practitioner appointed to review the financial statements of a public sector entity. It may also be the case in jurisdictions where the assurance practitioner is appointed to review the financial statements covering a specific period, or appointed for a specific period, and is prohibited from withdrawing before the completion of the review of those financial statements or before the end of that period, respectively. The assurance practitioner may also consider it necessary to include an Other Matter paragraph in the assurance practitioner's report to explain why it is not possible for the assurance practitioner to withdraw from the engagement.

**Communication with Regulators or the Entity's Owners**

A123. When the assurance practitioner concludes that withdrawal from the engagement is necessary because of a scope limitation, there may be a professional, legal or regulatory requirement for the assurance practitioner to communicate matters relating to the withdrawal from the engagement to regulators or the entity's owners.

**The Assurance Practitioner's Report** (Ref: Para. 86–92)

A124. The written report encompasses reports issued in hard copy format and those using an electronic medium.

*Elements of the Assurance Practitioner's Report* (Ref: Para. 86)

A125. A title indicating the report is the report of an independent assurance practitioner, for example, "Independent Assurance Practitioner's Review Report," affirms that the assurance practitioner has met all of the relevant ethical requirements regarding independence and, therefore, distinguishes the independent assurance practitioner's report from reports issued by others.

A126. Law or regulation may specify to whom the assurance practitioner's report is to be addressed in that particular jurisdiction. The assurance practitioner's report is normally

addressed to those for whom the report is prepared, often either to the shareholders or to those charged with governance of the entity whose financial statements are being reviewed.

A127. When the assurance practitioner is aware that the financial statements that have been reviewed will be included in a document that contains other information, such as a financial report, the assurance practitioner may consider, if the form of presentation allows, identifying the page numbers on which the financial statements that have been reviewed are presented. This helps users to identify the financial statements to which the assurance practitioner's report relates.

#### Management's Responsibility for the Financial Statements (Ref: Para. 86(d))

A128. The requirement of this ISRE (NZ) that the assurance practitioner must obtain management's agreement that it acknowledges and understands its responsibilities, both in relation to the preparation of the financial statements and in relation to the review engagement, is fundamental to performing the review and reporting on the engagement. The description of management's responsibilities in the assurance practitioner's report provides context for readers of the assurance practitioner's report about management's responsibilities, as they relate to the review engagement performed.

A129. The assurance practitioner's report need not refer specifically to "management" but instead may use the term that is appropriate in the context of the legal framework in the particular jurisdiction. In some jurisdictions, the appropriate reference is to those charged with governance of the entity.

A130. There may be circumstances when it is appropriate for the assurance practitioner to add to the description of management's responsibilities as described in this ISRE (NZ) to reflect additional responsibilities that are relevant to the preparation of the financial statements in the context of a jurisdiction, or due to the type of entity.

A131. In some jurisdictions, law or regulation prescribing management's responsibilities may specifically refer to a responsibility for the adequacy of the accounting books and records, or accounting system. As books, records and systems are an integral part of internal control, this ISRE (NZ) does not use these descriptions or make any specific reference to them.

#### The Assurance Practitioner's Responsibility (Ref: Para. 86(f))

A132. The assurance practitioner's report states that the assurance practitioner's responsibility is to express a conclusion on the financial statements based on the review performed, in order to contrast the assurance practitioner's responsibility with management's responsibility for preparation of the financial statements.

#### Reference to standards (Ref: Para. 86(f))

A133. The reference to the standards used by the assurance practitioner for the review conveys to the users of the assurance practitioner's report that the review has been conducted in accordance with established standards.

## Communication of the Nature of a Review of Financial Statements (Ref: Para. 86(g))

A134. The description of the nature of a review engagement in the assurance practitioner's report explains the scope and limitations of the engagement undertaken for the benefit of the readers of the report. This explanation clarifies, for avoidance of doubt, that the review is not an audit and that accordingly, the assurance practitioner does not express an audit opinion on the financial statements.

## Description of the Applicable Financial Reporting Framework and How It May Affect the Assurance Practitioner's Conclusion (Ref: Para. 86(i)(ii))

A135. The identification of the applicable financial reporting framework in the assurance practitioner's conclusion is intended to advise users of the assurance practitioner's report of the context in which that conclusion is expressed. It is not intended to limit the evaluation required in paragraph 30(a). The applicable financial reporting framework is identified in such terms as:

“... in accordance with New Zealand Equivalents to International Financial Reporting Standards;”

“... in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime;”

“... in accordance with accounting principles generally accepted in Jurisdiction X ...”

A136. When the applicable financial reporting framework encompasses financial reporting standards and legal or regulatory requirements, the framework is identified in such terms as “... in accordance with New Zealand Equivalents to International Financial Reporting Standards and the requirements of Jurisdiction X Corporations Act.”

## Basis for Modification Paragraph When the Conclusion Is Modified (Ref: Para. 85(h)(ii))

A137. An adverse conclusion or a disclaimer of conclusion relating to a specific matter described in the basis for modification paragraph does not justify the omission of a description of other identified matters that would have otherwise required a modification of the assurance practitioner's conclusion. In such cases, the disclosure of such other matters of which the assurance practitioner is aware may be relevant to users of the financial statements.

## Signature of the Assurance Practitioner (Ref: Para. 86(l))

A138. The assurance practitioner's signature is either in the name of the assurance practitioner's firm, the personal name of the individual assurance practitioner, or both, as appropriate for the particular jurisdiction. In addition to the assurance practitioner's signature, in certain jurisdictions, the assurance practitioner may be required to make a declaration in the assurance practitioner's report about professional designations or recognition by the appropriate licensing authority in that jurisdiction.

*Alerting Readers that the Financial Statements Are Prepared in Accordance with a Special Purpose Framework* (Ref: Para. 88)

A139. The special purpose financial statements may be used for purposes other than those for which they were intended. For example, a regulator may require certain entities to place the special purpose financial statements on public record. For avoidance of misunderstanding, it is important that the assurance practitioner alert users of the assurance practitioner's report that the financial statements are prepared in accordance with a special purpose framework and, therefore, may not be suitable for another purpose.

*Restriction on Distribution or Use*

A140. In addition to the alert to the reader of the assurance practitioner's report that is required by this ISRE (NZ) when the financial statements are prepared using a special purpose framework, the assurance practitioner may consider it appropriate to indicate that the assurance practitioner's report is intended solely for the specific users. Depending on the law or regulation of the particular jurisdiction, this may be achieved by restricting the distribution or use of the assurance practitioner's report. In these circumstances, the paragraph containing the alert about the use of a special purpose framework may be expanded to include these other matters, and the heading modified accordingly.

*Other Reporting Responsibilities* (Ref: Para. 91)

A141. In some jurisdictions, the assurance practitioner may have additional responsibilities to report on other matters that are supplementary to the assurance practitioner's responsibility under this ISRE (NZ). For example, the assurance practitioner may be asked to report certain matters if they come to the assurance practitioner's attention during the course of the review of the financial statements. Alternatively, the assurance practitioner may be asked to perform and report on additional specified procedures, or to express a conclusion on specific matters, such as the adequacy of accounting books and records. Standards on engagements to review financial statements in the specific jurisdiction may provide guidance on the assurance practitioner's responsibilities with respect to specific additional reporting responsibilities in that jurisdiction.

A142. In some cases, the relevant law or regulation may require or permit the assurance practitioner to report on these other responsibilities within the assurance practitioner's report on the financial statements. In other cases, the assurance practitioner may be required or permitted to report on them in a separate report.

A143. These other reporting responsibilities are addressed in a separate section of the assurance practitioner's report, to clearly distinguish them from the assurance practitioner's responsibility under this ISRE (NZ) to report on the financial statements. Where relevant, this section may contain sub-heading(s) that describe(s) the content of the other reporting responsibility paragraph(s). In some jurisdictions, the additional reporting responsibilities may be addressed in a report that is separate from the assurance practitioner's report provided for the review of the financial statements.



*Date of the Assurance Practitioner's Report* (Ref: Para. 86(k), 92)

- A144. The date of the assurance practitioner's report informs the user of the assurance practitioner's report that the assurance practitioner has considered the effect of events and transactions of which the assurance practitioner became aware and that occurred up to that date.
- A145. The assurance practitioner's conclusion is provided on the financial statements and the financial statements are the responsibility of management. The assurance practitioner is not in a position to conclude that sufficient appropriate evidence has been obtained until the assurance practitioner is satisfied that all the statements that comprise the financial statements, including the related notes, have been prepared and management has accepted responsibility for them.
- A146. In some jurisdictions, law or regulation identifies the individuals or bodies (for example, the directors) that are responsible for concluding that all the statements that comprise the financial statements, including the related notes, have been prepared, and specifies the necessary approval process. In such cases, evidence is obtained of that approval before dating the report on the financial statements. In other jurisdictions, however, the approval process is not prescribed in law or regulation. In such cases, the procedures the entity follows in preparing and finalising its financial statements in view of its management and governance structures are considered in order to identify the individuals or body with the authority to conclude that all the statements that comprise the financial statements, including the related notes, have been prepared. In some cases, law or regulation may identify the point in the financial statement reporting process at which the review is expected to be complete.
- A147. In some jurisdictions, final approval of the financial statements by shareholders is required before the financial statements are issued publicly. In these jurisdictions, final approval by shareholders is not necessary for the assurance practitioner to conclude on the financial statements. The date of approval of the financial statements for purposes of this ISRE (NZ) is the earlier date on which those with the recognised authority determine that all the statements that comprise the financial statements, including the related notes, have been prepared and that those with the recognised authority have asserted that they have taken responsibility for them.

*Assurance Practitioner's Report Prescribed by Law or Regulation* (Ref: Para. 34–35, 86)

- A148. Consistency in the assurance practitioner's report, when the review has been conducted in accordance with this ISRE (NZ), promotes credibility in the global marketplace by making more readily identifiable those reviews of financial statements that have been conducted in accordance with globally recognised standards. The assurance practitioner's report may refer to this ISRE (NZ) when the differences between the legal or regulatory requirements and this ISRE (NZ) relate only to the layout or wording of the assurance practitioner's report and, at a minimum, the report complies with the requirements of paragraph 86 of this ISRE (NZ). Accordingly, in such circumstances the assurance practitioner is considered to have complied with the requirements of this ISRE (NZ), even when the layout and wording used in the assurance practitioner's report are specified by legal or regulatory reporting requirements. Where specific requirements in a particular jurisdiction do not conflict with

this ISRE (NZ), adoption of the layout and wording used in this ISRE (NZ) assists users of the assurance practitioner's report to more readily recognise the assurance practitioner's report as a report on a review of financial statements conducted in accordance with this ISRE (NZ). Circumstances where law or regulation prescribes the layout or wording of the assurance practitioner's report in terms that are significantly different from the requirements of this ISRE (NZ) are addressed in the requirements of this ISRE (NZ) concerning acceptance of review engagements and continuance of client relationships.

*Assurance Practitioner's Report for Reviews Conducted in Accordance with Both Relevant Standards of a Specific Jurisdiction and this ISRE (NZ) (Ref: Para. 86(f))*

A149. When, in addition to complying with the requirements of this ISRE (NZ), the assurance practitioner also complies with relevant national standards, the report may refer to the review having been performed in accordance with both this ISRE (NZ) and relevant national standards for engagements to review financial statements. However, a reference to both this ISRE (NZ) and relevant national standards is not appropriate if there is a conflict between the requirements of this ISRE (NZ) and those in the relevant national standards that would lead the assurance practitioner to form a different conclusion or not to include an Emphasis of Matter paragraph that, in the particular circumstances, would be required by this ISRE (NZ). In such a case, the assurance practitioner's report refers only to the relevant standards (either this ISRE (NZ) or the relevant national standards) in accordance with which the assurance practitioner's report has been prepared.

*Illustrative Review Reports (Ref: Para. 86)*

A150. Appendix 2 to this ISRE (NZ) contains illustrations of assurance practitioners' reports for a review of financial statements incorporating the reporting requirements of this ISRE (NZ).

## **Documentation**

*Timeliness of Engagement Documentation (Ref: Para. 93)*

A151. Professional and Ethical Standard 3 requires the firm to establish a quality objective that engagement documentation is assembled on a timely basis after the date of the engagement report.

## Appendix 1

(Ref: Para. A56)

**Illustrative Engagement Letter for an Engagement to Review Historical Financial Statements**

The following is an example of an engagement letter for a review of general purpose financial statements (prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRSs)), which illustrates the relevant requirements and guidance contained in this ISRE (NZ). This letter is not authoritative but is intended only to be a guide that may be used in conjunction with the considerations outlined in this ISRE (NZ). It will need to be varied according to individual requirements and circumstances. It is drafted to refer to the review of financial statements for a single reporting period and would require adaptation if intended or expected to apply to recurring reviews. It may be appropriate to seek legal advice that any proposed letter is suitable.

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To the appropriate representative of those charged with governance of ABC Entity:<sup>20</sup>

*[The objective and scope of the review]*

You<sup>21</sup> have requested that we review the general purpose financial statements of ABC Entity, which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. We are pleased to confirm our acceptance and our understanding of this review engagement by means of this letter.

Our review will be conducted with the objective of expressing our conclusion on the financial statements. Our conclusion, if unmodified, will be in the form “Based on our review, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects, (*or do not give a true and fair view of*) the financial position of the [entity] as at [date] and (*of*) its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRSs).”

*[The assurance practitioner’s responsibilities]*

We will conduct our review in accordance with International Standard on Review Engagements (New Zealand) (ISRE (NZ)) 2400, *Review of Historical Financial Statements Performed by an Assurance Practitioner who is not the Auditor of the Entity*. ISRE (NZ) 2400 requires us to

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<sup>20</sup> The addressees and references in the letter would be those that are appropriate in the circumstances of the engagement, including the relevant jurisdiction. It is important to refer to the appropriate persons—see paragraph 36 of this ISRE (NZ).

<sup>21</sup> Throughout this letter, references to “you,” “we,” “us,” “management,” “those charged with governance” and “assurance practitioner” would be used or amended as appropriate in the circumstances.

conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. ISRE (NZ) 2400 also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE (NZ) 2400 is a limited assurance engagement. We will perform procedures, primarily consisting of making enquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained. We will also perform additional procedures if we become aware of matters that cause us to believe the financial statements as a whole may be materially misstated. These procedures are performed to enable us to express our conclusion on the financial statements in accordance with ISRE (NZ) 2400. The procedures selected will depend on what we consider necessary applying our professional judgement, based on our understanding of ABC Entity and its environment, and our understanding of NZ IFRSs and its application in the industry context.

A review is not an audit of the financial statements, therefore:

- (a) There is a commensurate higher risk than there would be in an audit, that any material misstatements that exist in the financial statements reviewed may not be revealed by the review, even though the review is properly performed in accordance with ISRE (NZ) 2400.
- (b) In expressing our conclusion from the review of the financial statements, our report on the financial statements will expressly disclaim any audit opinion on the financial statements.

*[The responsibilities of those charged with governance and identification of the applicable financial reporting framework (for purposes of this example, it is assumed that the assurance practitioner has not determined that the law or regulation prescribes those responsibilities in appropriate terms; the descriptions in paragraph 30(b) of this ISRE (NZ) are therefore used).]*

Our review will be conducted on the basis that [those charged with governance]<sup>22</sup> acknowledge and understand that they have the responsibility:

- (a) For preparation and fair presentation of the financial statements in accordance with NZ IFRSs;<sup>23</sup>
- (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; and
- (c) To provide us with:
  - (i) Access to all information of which [management and those charged with governance] are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation and other matters;
  - (ii) Additional information that we may request from [management or those charged with governance] for the purpose of the review; and

<sup>22</sup> Use terminology as appropriate in the circumstances.

<sup>23</sup> Or, if appropriate, “For the preparation of financial statements that give a true and fair view in accordance with NZ IFRSs”

- (iii) Unrestricted access to persons within ABC Entity from whom we determine it necessary to obtain evidence.

As part of our review, we will request from [those charged with governance], written confirmation concerning representations made to us in connection with the review.

We look forward to full cooperation from your staff during our review.

*[Other relevant information]*

*[Insert other information, such as fee arrangements, billings and other specific terms, as appropriate.]*

*[Reporting]*

*[Insert appropriate reference to the expected form and content of the assurance practitioner's report.]*

The form and content of our report may need to be amended in the light of our findings obtained from the review.

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our review of the financial statements including our respective responsibilities.

XYZ & Co.

Acknowledged and agreed on behalf of ABC Entity by

(signed)

.....

Name and Title

Date

## Illustrative Representation Letter for a Review Engagement

The following illustrative letter includes written representations that are required by this ISRE (NZ). It is to be used as a guide only and will need to be modified according to the engagement requirements and circumstances.

Representations by management, or where appropriate, those charged with governance<sup>24</sup>, will vary between entities and reporting periods. Representation letters are ordinarily useful where evidence, other than that obtained by enquiry, may not be reasonably expected to be available or when management, or where appropriate, those charged with governance have made oral representations which the assurance practitioner wishes to confirm in writing.

[Entity Letterhead]

[Addressee – Assurance Practitioner]

[Date]

This representation letter is provided in connection with your review of the financial statements of [name of entity] for the [period] ended [date], for the purpose of you expressing a conclusion as to whether anything has come to your attention that causes you to believe that the financial statements of [name of entity] is not prepared, in all material respect, in accordance with [applicable financial reporting framework].

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):

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the review engagement dated [insert date], for the preparation of the financial statements in accordance with [applicable financial reporting framework]; in particular the financial report is fairly presented (or gives a true and fair view) in accordance therewith.
- All transactions have been recorded and are reflected in the financial statements.
- [Any other matters that the assurance practitioner may consider necessary (refer paragraph A101 of this ISRE (NZ)).]

Information Provided

- We have provided you with:

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<sup>24</sup> Use terminology as appropriate in the circumstances.

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the review; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain evidence.
- We have disclosed to you:
  - The identity of the entity's related parties and all the related party relationships and transactions of which we are aware;
  - All significant facts relating to any frauds or suspected frauds known to us that may have affected the entity;
  - All known actual or possible non-compliance with laws and regulations for which the effects of non-compliance affect the entity's financial statements;
  - All information relevant to use of the going concern assumption in the financial statements;
  - That all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure, have been adjusted or disclosed;
  - Material commitments, contractual obligations or contingencies that have affected or may affect the entity's financial statements, including disclosures;
  - Material non-monetary transactions or transactions for no consideration undertaken by the entity in the financial reporting period under consideration; and
  - [Any other matters that the assurance practitioner may consider necessary (refer paragraph A101 of this ISRE (NZ)).]

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Those charged with governance

## Illustrative Assurance Practitioners' Review Reports

### Review Reports on General Purpose Financial Statements

#### *Illustrative Review Reports with Unmodified Conclusions*

- Illustration 1: An assurance practitioner's report on financial statements prepared in accordance with a fair presentation framework designed to meet the common financial information needs of a wide range of users (for example, the New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR))

#### *Illustrative Review Reports with Modified Conclusions*

- Illustration 2: An assurance practitioner's report containing a qualified conclusion due to an apparent material misstatement of the financial statements. Financial statements prepared in accordance with a compliance framework designed to meet the common information needs of a wide range of users. (Financial statements prepared using a compliance framework)
- Illustration 3: An assurance practitioner's report containing a qualified conclusion due to the assurance practitioner's inability to obtain sufficient appropriate evidence. (Financial statements prepared using a fair presentation framework—NZ IFRSs)
- Illustration 4: An assurance practitioner's report containing an adverse conclusion due to material misstatement of the financial statements. (Financial statements prepared using a fair presentation framework—NZ IFRSs)
- Illustration 5: An assurance practitioner's report containing a disclaimer of conclusion due to the assurance practitioner's inability to obtain sufficient appropriate evidence about multiple elements of the financial statements—resulting in inability to complete the review. (Financial statements prepared using a fair presentation framework—NZ IFRSs)

### Review Reports on Special Purpose Financial Statements

- Illustration 6: An assurance practitioner's report on financial statements prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).
- Illustration 7: An assurance practitioner's report on a single financial statement prepared in accordance with the cash receipts and disbursements basis of accounting (for purposes of this illustration, a fair presentation framework).



**Illustration 1**

Circumstances include the following:

- **Review of a complete set of financial statements.**
- **The financial statements are prepared for a general purpose by management of the entity in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR).**
  - **The terms of the review engagement reflect the description of the directors' responsibility for the financial statements in paragraph 30(b) of this ISRE (NZ).**
- **In addition to the review of the financial statements, the assurance practitioner has other reporting responsibilities under local law.**

## INDEPENDENT ASSURANCE PRACTITIONER'S REVIEW REPORT

[Appropriate Addressee]

**Report on the Financial Statements<sup>25</sup>**

We have reviewed the accompanying financial statements of ABC Entity, which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Directors<sup>26</sup> Responsibility for the Financial Statements*

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime,<sup>27</sup> 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.

*Assurance Practitioner's Responsibility*

Our responsibility is to express a conclusion on the accompanying financial statements. We conducted our review in accordance with International Standard on Review Engagements (New Zealand) (ISRE (NZ)) 2400, *Review of Historical Financial Statements Performed by an Assurance Practitioner who is not the Auditor of the Entity*. ISRE (NZ) 2400 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

<sup>25</sup> The sub-title "Report on the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

<sup>26</sup> Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

<sup>27</sup> Where the directors' responsibility is to prepare financial statements that give a true and fair view, this may read: "is the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR);, and for such ..."

A review of financial statements in accordance with ISRE (NZ) 2400 is a limited assurance engagement. The assurance practitioner performs procedures, primarily consisting of making enquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly, we do not express an audit opinion on these financial statements.

Other than in our capacity as assurance practitioner we have no relationship with, or interests in, ABC Entity.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects, (or *do not give a true and fair view of*) the financial position of ABC Entity as at December 31, 20X1, and (of) its financial performance and cash flows for the year then ended, in accordance with the New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

**Report on Other Legal and Regulatory Requirements**

[Form and content of this section of the assurance practitioner's report will vary depending on the nature of the assurance practitioner's other reporting responsibilities.]

[Assurance practitioner's signature]

[Date of the assurance practitioner's report]

[Assurance practitioner's address]

**Illustration 2**

Circumstances include the following:

- **Review of a complete set of financial statements required by law or regulation.**
- **The financial statements are prepared for a general purpose 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 review engagement reflect the description of the directors' responsibility for the financial statements in paragraph 30(b) of this ISRE (NZ).**
- **Based on the review, inventories are misstated. The misstatement is material but not pervasive to the financial statements.**
- **In addition to the review of the financial statements, the assurance practitioner has other reporting responsibilities under local law.**

## INDEPENDENT ASSURANCE PRACTITIONER'S REVIEW REPORT

[Appropriate Addressee]

**Report on the Financial Statements<sup>28</sup>**

We have reviewed the accompanying financial statements of ABC Entity, which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Directors<sup>29</sup> Responsibility for the Financial Statements*

The directors are responsible for the preparation of these financial statements in accordance with XYZ Law of Jurisdiction X, 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.

*Assurance Practitioner's Responsibility*

Our responsibility is to express a conclusion on the accompanying financial statements. We conducted our review in accordance with International Standard on Review Engagements (New Zealand) (ISRE (NZ)) 2400, *Review of Historical Financial Statements Performed by an Assurance Practitioner who is not the Auditor of the Entity*. ISRE (NZ) 2400 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant

<sup>28</sup> The sub-title "Report on the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

<sup>29</sup> Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

ethical requirements.

A review of financial statements in accordance with ISRE (NZ) 2400 is a limited assurance engagement. The assurance practitioner performs procedures, primarily consisting of making enquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly, we do not express an audit opinion on these financial statements.

Other than in our capacity as assurance practitioner we have no relationship with, or interests in, ABC Entity.

#### *Basis for Qualified Conclusion*

The [entity'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 the requirements of the Financial Reporting Framework (XYZ Law) of Jurisdiction X. The [entity'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.

#### *Qualified Conclusion*

Based on our review, except for the effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the financial statements of ABC Entity are not prepared, in all material respects, in accordance with the Financial Reporting Framework (XYZ Law) of Jurisdiction X.

#### **Report on Other Legal and Regulatory Requirements**

[Form and content of this section of the assurance practitioner's report will vary depending on the nature of the assurance practitioner's other reporting responsibilities.]

[Assurance practitioner's signature]

[Date of the assurance practitioner's report]

[Assurance practitioner's address]

**Illustration 3**

Circumstances include the following:

- **Review of a complete set of general purpose financial statements prepared by management of the entity in accordance with [a financial reporting framework designed to achieve fair presentation other than New Zealand Equivalents to International Financial Reporting Standards].**
- **The terms of the review engagement reflect the description of the directors' responsibility for the financial statements in paragraph 30(b) of this ISRE (NZ).**
- **The assurance practitioner was unable to obtain sufficient appropriate evidence regarding an investment in a foreign affiliate. The possible effects of the inability to obtain sufficient appropriate evidence are deemed to be material but not pervasive to the financial statements.**
- **The assurance practitioner does not have other reporting responsibilities under local law in addition to the review of the consolidated financial statements.**

## INDEPENDENT ASSURANCE PRACTITIONER'S REVIEW REPORT

[Appropriate Addressee]

We have reviewed the accompanying financial statements of ABC Entity, which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Directors'<sup>30</sup> Responsibility for the Financial Statements**

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with [name of applicable financial reporting framework, including a reference to the jurisdiction or country of origin of the financial reporting framework when the financial reporting framework used is not the New Zealand Equivalents to International Financial Reporting Standards],<sup>31</sup> and for such internal control as the directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Assurance Practitioner's Responsibility**

Our responsibility is to express a conclusion on the accompanying financial statements. We conducted our review in accordance with International Standard on Review Engagements (New Zealand) (ISRE (NZ)) 2400, *Review of Historical Financial Statements Performed by an Assurance Practitioner who is Not the Auditor of the Entity*. ISRE (NZ) 2400 requires us to conclude whether

<sup>30</sup> Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

<sup>31</sup> Where the directors' responsibility is to prepare financial statements that give a true and fair view, this may read: "The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with [name of applicable financial reporting framework, including a reference to the jurisdiction or country of origin of the financial reporting framework when the financial reporting framework used is not International Financial Reporting Standards], and for such ..."

anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE (NZ) 2400 is a limited assurance engagement. The assurance practitioner performs procedures, primarily consisting of making enquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly, we do not express an audit opinion on these financial statements.

Other than in our capacity as assurance practitioner we have no relationship with, or interests in, ABC Entity.

### **Basis for Qualified Conclusion**

ABC'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 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 access to the relevant financial information of XYZ concerning 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. Consequently, we were unable to perform the procedures we considered necessary.

### **Qualified Conclusion**

Based on our review, except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying financial statements do not present fairly, in all material respects, (or *do not give a true and fair view of*) the financial position of ABC Entity as at December 31, 20X1, and (of) its financial performance and cash flows for the year then ended in accordance with [name of applicable financial reporting framework, including a reference to the jurisdiction or country of origin of the financial reporting framework when the financial reporting framework used is not the New Zealand Equivalents to International Financial Reporting Standards].

[Assurance practitioner's signature]

[Date of the assurance practitioner's report]

[Assurance practitioner's address]

**Illustration 4**

Circumstances include the following:

- **Review of consolidated general purpose financial statements prepared by management of the parent in accordance with the New Zealand Equivalents to International Financial Reporting Standards.**
- **The terms of the review engagement reflect the description of the directors' responsibility for the financial statements.**
- **The financial statements are materially misstated due to the non-consolidation of a subsidiary. The material misstatement is deemed to be pervasive to the financial statements. The effects of the misstatement on the financial statements have not been determined because it was not practicable to do so.**
- **The assurance practitioner does not have other reporting responsibilities under local law in addition to the review of the consolidated financial statements.**

## INDEPENDENT ASSURANCE PRACTITIONER'S REVIEW REPORT

[Appropriate Addressee]

**Report on the Consolidated Financial Statements<sup>32</sup>**

We have reviewed the accompanying consolidated financial statements of ABC Entity, which comprise the consolidated statement of financial position as at December 31, 20X1, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Directors<sup>33</sup> Responsibility for the Financial Statements*

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards,<sup>34</sup> and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Assurance Practitioner's Responsibility*

Our responsibility is to express a conclusion on the accompanying consolidated financial statements. We conducted our review in accordance with International Standard on Review Engagements (New Zealand) (ISRE (NZ)) 2400, *Review of Historical Financial Statements Performed by an Assurance Practitioner who is not the Auditor of the Entity*. ISRE (NZ) 2400

<sup>32</sup> The sub-title "Report on the Consolidated Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

<sup>33</sup> Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

<sup>34</sup> Where the director's responsibility is to prepare financial statements that give a true and fair view, this may read: "The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with New Zealand Equivalents to International Financial Reporting Standards, and for such ..."

requires us to conclude whether anything has come to our attention that causes us to believe that the consolidated financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of consolidated financial statements in accordance with ISRE (NZ) 2400 is a limited assurance engagement. The assurance practitioner performs procedures, primarily consisting of making enquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly, we do not express an audit opinion on these consolidated financial statements.

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

#### *Basis for Adverse Conclusion*

As explained in Note X, the [entity] has not consolidated the financial statements of subsidiary XYZ Company it acquired during 20X1 because it has not yet been able to ascertain 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 New Zealand Equivalents to International Financial Reporting Standards, the subsidiary should have been consolidated because it is controlled by the entity. Had XYZ been consolidated, many elements in the accompanying financial statements would have been materially affected.

#### *Adverse Conclusion*

Based on our review, due to the significance of the matter discussed in the Basis for Adverse Conclusion paragraph, the consolidated financial statements do not present fairly (or *do not give a true and fair view of*) the financial position of ABC Entity and its subsidiaries as at December 31, 20X1, and (of) their financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards.

#### **Report on Other Legal and Regulatory Requirements**

[Form and content of this section of the assurance practitioner's report will vary depending on the nature of the assurance practitioner's other reporting responsibilities.]

[Assurance practitioner's signature]

[Date of the assurance practitioner's report]

[Assurance practitioner's address]



**Illustration 5**

Circumstances include the following:

- **Review of a complete set of general purpose financial statements prepared by management of the entity in accordance with New Zealand Equivalents to International Financial Reporting Standards.**
- **The terms of the review engagement reflect the description of the directors' responsibility for the financial statements in paragraph 30(b) of this ISRE (NZ).**
- **The assurance practitioner was unable to form a conclusion on the financial statements, due to inability to obtain sufficient appropriate evidence about multiple elements of the financial statements, and the assurance practitioner believes the effect is material and pervasive to the financial statements. Specifically, the assurance practitioner was unable to obtain evidence about the entity's physical inventory and accounts receivable.**

## INDEPENDENT ASSURANCE PRACTITIONER'S REVIEW REPORT

[Appropriate Addressee]

We were engaged to review the accompanying financial statements of ABC Entity, which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **The Directors'<sup>35</sup> Responsibility for the Financial Statements**

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards,<sup>36</sup> 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.

### **Assurance Practitioner's Responsibility**

Our responsibility is to express a conclusion on the accompanying financial statements. Because of the matter(s) described in the Basis for Disclaimer of Conclusion paragraph, however, we were not able to obtain sufficient appropriate evidence as a basis for expressing a conclusion on the financial statements.

Other than in our capacity as assurance practitioner we have no relationship with, or interests in, ABC Entity.

<sup>35</sup> Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

<sup>36</sup> Where the director's responsibility is to prepare financial statements that give a true and fair view, this may read: "is the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with New Zealand Equivalents to International Financial Reporting Standards, and for such ..."

**Basis for Disclaimer of Conclusion**

Management did not conduct a count of physical inventory on hand at the end of the year. We were unable to perform the procedures we considered necessary concerning the inventory quantities held at December 31, 20X1, which are stated at xxx in the statement of financial position at December 31, 20X1.

In addition, the introduction of a new computerised accounts receivable system in September 20X1 resulted in numerous errors in accounts receivable and inventory. As of the date of our report, management was still in the process of rectifying the system deficiencies and correcting the errors. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded inventories and accounts receivable, and the elements making up the statement of comprehensive income, statement of changes in equity and statement of cash flows.

**Disclaimer of Conclusion**

Due to the significance of the matters described in the Basis for Disclaimer of Conclusion paragraph, we were unable to obtain sufficient appropriate evidence to form a conclusion on the accompanying financial statements. Accordingly, we do not express a conclusion on these financial statements.

[Assurance practitioner's signature]

[Date of the assurance practitioner's report]

[Assurance practitioner's address]

**Illustration 6**

Circumstances include the following:

- **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), to comply with the provisions of the contract. Management does not have a choice of financial reporting frameworks.**
- **The applicable financial reporting framework is a compliance framework.**
- **The terms of the review engagement reflect the description of the directors' responsibility for the financial statements in paragraph 30(b) of this ISRE (NZ).**
- **Distribution or use of the assurance practitioner's report is restricted.**

## INDEPENDENT ASSURANCE PRACTITIONER'S REVIEW REPORT

[Appropriate Addressee]

We have reviewed the accompanying financial statements of ABC Entity, which comprise the balance sheet as at December 31, 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management of ABC Entity based on the financial reporting provisions of Section Z of the contract dated January 1, 20X1 between ABC Entity and DEF Company ("the contract").

### **The Directors'<sup>37</sup> Responsibility for the Financial Statements**

The directors are responsible for the preparation of these financial statements in accordance with the financial reporting provisions of Section Z of the contract, and for such internal control as the directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Assurance Practitioner's Responsibility**

Our responsibility is to express a conclusion on the accompanying financial statements. We conducted our review in accordance with International Standard on Review Engagements (New Zealand) (ISRE (NZ)) 2400, *Review of Historical Financial Statements Performed by an Assurance Practitioner who is not the Auditor of the Entity*. ISRE (NZ) 2400 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE (NZ) 2400 is a limited assurance engagement. The assurance practitioner performs procedures, primarily consisting of making enquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

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<sup>37</sup> Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly, we do not express an audit opinion on these financial statements.

Other than in our capacity as assurance practitioner we have no relationship with, or interests in, ABC Entity.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not prepared, in all material respects, in accordance with the financial reporting provisions of Section Z of the contract.

### **Basis of Accounting, and Restriction on Distribution and Use**

Without modifying our conclusion, we draw attention to Note X to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist ABC Entity to comply with the financial reporting provisions of the contract referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for ABC Entity and DEF Company and should not be distributed to or used by parties other than ABC Entity or DEF Company.

[Assurance practitioner's signature]

[Date of the assurance practitioner's report]

[Assurance practitioner's address]

**Illustration 7**

Circumstances include the following:

- **Review of a statement of cash receipts and disbursements**
- **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. The basis of accounting applied to prepare the financial statement has been agreed between the entity and the creditor.**
- **The applicable financial reporting framework is a fair presentation framework designed to meet the financial information needs of specific users.**
- **The assurance practitioner has determined that it is appropriate to use the phrase “presents fairly, in all material respects,” in the assurance practitioner’s conclusion.**
- **The terms of the review engagement reflect the description of the director’s responsibility for the financial statement in paragraph 30(b) of this ISRE (NZ).**
- **Distribution or use of the assurance practitioner’s report is not restricted.**

## INDEPENDENT ASSURANCE PRACTITIONER’S REVIEW REPORT

[Appropriate Addressee]

We have reviewed the accompanying statement of cash receipts and disbursements of ABC Entity for the year ended December 31, 20X1, and a summary of significant accounting policies and other explanatory information (together “the financial statement”). The financial statement has been prepared by management of ABC Entity using the cash receipts and disbursements basis of accounting described in Note X.

### **The Directors’<sup>38</sup> Responsibility for the Financial Statement**

The directors are responsible for the preparation and fair presentation of this financial statement in accordance with the cash receipts and disbursements basis of accounting described in Note X, and for such internal control as the directors determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

### **Assurance Practitioner’s Responsibility**

Our responsibility is to express a conclusion on the accompanying financial statement. We conducted our review in accordance with International Standard on Review Engagements (New Zealand) (ISRE (NZ)) 2400, *Review of Historical Financial Statements Performed by an Assurance Practitioner who is not the Auditor of the Entity*. ISRE (NZ) 2400 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statement is not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

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<sup>38</sup> Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

A review of financial statements in accordance with ISRE (NZ) 2400 is a limited assurance engagement. The assurance practitioner performs procedures, primarily consisting of making enquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly, we do not express an audit opinion on this financial statement.

Other than in our capacity as assurance practitioner we have no relationship with, or interests in, ABC Entity.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the financial statement does not present fairly, in all material respects, (or *does not give a true and fair view of*) the cash receipts and disbursements of ABC Entity for the year ended December 31, 20X1 in accordance with the cash receipts and disbursements basis of accounting described in Note X.

### **Basis of Accounting**

Without modifying our conclusion, we draw attention to Note X to the financial statement, which describes the basis of accounting. The financial statement is prepared to provide information to XYZ Creditor. As a result, the financial statement may not be suitable for another purpose.

[Assurance practitioner's signature]

[Date of the assurance practitioner's report]

[Assurance practitioner's address]

## **Existence of any Other Relationship of the Assurance Practitioner with the Entity**

Paragraph NZ86.1 of this Standard requires the assurance practitioner of *all* entities to state in the assurance practitioner's report for the review engagement the existence of any relationships (other than that of assurance practitioner) which the assurance practitioner has with, or any interests the assurance practitioner has in, the entity or any of its subsidiaries.

The material below sets out an example of wording which can be used in the assurance practitioner's report where the assurance practitioner has a relationship with (other than that of assurance practitioner), or interests in, an entity or any of its subsidiaries.

"Principals and employees of our firm deal with the (entity) on normal terms within the ordinary course of the activities of the (entity). The firm has no other relationship with, or interests in, the (entity)."

## Accompanying Attachment: Conformity to International and Australian Standards on Review Engagements

This conformity statement accompanies but is not part of ISRE (NZ) 2400.

### Conformity with International Standards on Review Engagements

This International Standard on Review Engagements (New Zealand) (ISRE (NZ)) conforms with International Standard on Review Engagements (ISRE) 2400 (Revised) *Engagements to Review Historical Financial Statements* issued by the International Auditing and Assurance Standards Board (IAASB), and independent standard-setting board of the International Federation of Accountants (IFAC).

Paragraphs that have been added to this ISRE (NZ) (and do not appear in the text of the equivalent ISRE) are identified with the prefix “NZ”.

This ISRE (NZ) incorporates terminology and definitions used in New Zealand. Paragraph NZ17.1 defines assurance practitioner.

The title ISRE (NZ) 2400 *Review of Historical Financial Statements Performed by an Assurance Practitioner who is not the Auditor of the Entity* has been amended to emphasise that the scope of ISRE (NZ) 2400, consistent with the scope of ISRE 2400, applies where the review is performed by an assurance practitioner who is not the auditor of the entity.

The following requirements are additional to ISRE 2400:

- **Paragraph NZ3.1** For the purposes of this ISRE (NZ), a reference to “management” is taken to mean “management, or where appropriate, those charged with governance”.
- **Paragraph NZ3.2** In New Zealand, those charged with governance often have a statutory responsibility 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 assurance practitioner 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.
- **Paragraph NZ13.1** This ISRE (NZ) is effective for reviews of financial statements for periods ending on or after December 31, 2014. Early adoption is permitted.
- **Paragraph NZ13.2** This ISRE (NZ) supersedes Review Standard 1 issued by the External Reporting Board in July 2011, from the effective date.

### Engagement level quality management

- **Paragraph N25.1** The engagement partner shall take overall responsibility for reviewing the engagement team’s work in accordance with the firm’s policies or procedures for review engagements.
- **Paragraph NZ25.2** The engagement partner shall:
  - (a) Take overall responsibility for the engagement team undertaking appropriate consultation on difficult or contentious matters;



- (b) Be satisfied that members of the engagement team have undertaken appropriate consultation during the course of the engagement, both within the engagement team and between the engagement team and others at the appropriate level within or outside the firm;
  - (c) Be satisfied that the nature and scope of, and conclusions resulting from, such consultations are agreed with the party consulted; and
  - (d) Determine that conclusions resulting from such consultations have been implemented.
- **Paragraph NZ25.3** The engagement team shall include in the engagement documentation:
    - (a) Issues identified with respect to compliance with relevant ethical requirements and how they were resolved.
    - (b) Conclusions on compliance with independence requirements that apply to the assurance engagement, and any relevant discussions with the firm that support these conclusions.
    - (c) Conclusions reached regarding the acceptance and continuance of client relationships and review engagements.
    - (d) The nature and scope of, and conclusions resulting from, consultations undertaken during the course of the review engagement.
  - **Paragraph NZ27.1** The engagement partner shall form a conclusion on compliance with independence requirements that apply to the engagement. In doing so, the engagement partner shall:
    - (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 or procedures to determine whether they create a threat to independence for the review engagement; and
    - (c) Take appropriate action to eliminate such threats or reduce them to an acceptable level by applying safeguards, or, if considered appropriate, to withdraw from the review 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.

**The assurance practitioner's understanding:**

- **Paragraph 46** The assurance practitioner's understanding shall include the following:
    - (a) to (d)...
- NZ46.(1)** Internal control, as it relates to the preparation of the financial statements.

### Going concern

- **Paragraph NZ53.1** In evaluating management’s assessment of the entity’s ability to continue as a going concern, the assurance practitioner shall consider the relevant period, which may be the same as or may differ from that used by management to make its assessment as required by the applicable financial reporting framework. If management’s assessment of the entity’s ability to continue as a going concern covers less than the relevant period, the assurance practitioner shall request management to correspond to the review period used by the assurance practitioner.
- **Paragraph NZ53.2** Relevant period means the period of at least 12 months from the date of the assurance practitioner’s current report.
- **Paragraph NZ53.3** The assurance practitioner shall enquire of management as to its knowledge of events or conditions beyond the period of management’s assessment that may cast significant doubt on the entity’s ability to continue as a going concern.

### Existence of any Relationship with the Entity

- **Paragraph NZ86.1** The assurance practitioner’s report for the review engagement shall include a statement as to the existence of any relationship (other than that of assurance practitioner) which the assurance practitioner has with, or any interests which the assurance practitioner has in, the entity or any of its subsidiaries. NZ Appendix 2A provides an example of the wording that may be used in the assurance practitioner’s report to identify any relationships with, or interests in, the entity.

### Emphasis of Matter

- **Paragraph NZ87.1** If adequate disclosure is made in the financial statements, the assurance practitioner shall add an Emphasis of Matter paragraph to the assurance practitioner’s report, to highlight a material uncertainty, including one or more material uncertainties relating to an event or condition that may cast significant doubt on the entity’s ability to continue as a going concern.

[NZ] Appendix 1A contains an illustrative written representation letter and is additional to the appendices contained in ISRE 2400.

### Comparison with Australian Standards on Review Engagements

In Australia, the Australian Auditing and Assurance Standards Board (AUASB) has issued proposed Auditing Standard on Review Engagements (ASRE) 2410 Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity.

ASRE 2400 conforms with ISRE 2400.

Equivalent paragraphs to NZ46.1, NZ53.1 and NZ87.1 and [NZ] Appendix 1A have been added to ASRE 2400 but are identified with a prefix Aus. Similar paragraphs to NZ53.1-3 and NZ87.1 have been added to ASRE 2400. Equivalent paragraphs to NZ3.1-2, NZ25.1-3, NZ27.1 and NZ86.1 have not been added to ASRE 2400.

In addition, the following paragraphs have been added to ASRE 2400 but have not been added to ISRE (NZ) 2400:

- **Paragraph Aus3.1** Introductory paragraph directing assurance practitioners to conduct review of other historical financial information in accordance with ASRE 2405 Review of Historical Financial Information Other than a Financial Report. There is no international or New Zealand equivalent to ASRE 2405;
- **Paragraph Aus 92.1** The assurance practitioner's report shall be dated as of the date the assurance practitioner signs that report.

The equivalent requirements and related application and other explanatory material included in ISRE 2400 and ISRE (NZ) 2400 in respect of relevant ethical requirements, are included in another Auditing Standard, ASA 102 Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements, rather than ASRE 2400. There is no international or New Zealand equivalent to ASA 102.

## Amendments to Other Pronouncements

*This appendix sets out amendments to other pronouncements issued by the XRB or the NZAuASB that are as a consequence of the issuance of ISRE (NZ) 2400. Amended paragraphs are shown with the new text underlined and deleted text struck through.*

### **XRB Au1 Application of Auditing and Assurance Standards**

In Appendix 3, Review Engagement Standards

~~RS 1~~ ~~Statement of Review Engagement Standards~~

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

### **ISA (NZ) 220**

7(n) Relevant ethical requirements – Ethical requirements to which the engagement team and engagement quality control reviewer are subject, which ordinarily comprises Professional and Ethical Standard 1 (Revised) ~~and Professional and Ethical Standard 2~~ ~~issued by the External Reporting Board or the New Zealand Auditing and Assurance Standards Board~~ together with relevant legal, regulatory or contractual requirements that are more restrictive.

### **ISA (NZ) 600**

A52. A review of the financial information of a component may be performed in accordance with ~~RS 1~~ International Standard on Review Engagements (New Zealand) (ISRE (NZ)) 2400<sup>39</sup> or New Zealand Standards on Review Engagements (NZ SRE) 2410<sup>40</sup> adapted as necessary in the circumstances. The group engagement team may also specify additional procedures to supplement this work.

<sup>39</sup> ISRE (NZ) 2400, “Engagements to Review Financial Statements.”

<sup>40</sup> ~~RS 1: Statement of Review Engagement Standards~~ NZ SRE 2410, “Review of Historical Financial Statements Performed by an Assurance Practitioner who is Not the Auditor of the Entity.”