



INTERNATIONAL STANDARD ON AUDITING (NEW ZEALAND) 700 (REVISED)

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

This Standard was issued on 1 October 2015 by the New Zealand Auditing and Assurance Standards Board of the External Reporting Board pursuant to section 12(b) of the Financial Reporting Act 2013.

This Standard is a disallowable instrument for the purposes of the Legislation Act 2012, and pursuant to section 27(1) of the Financial Reporting Act 2013 takes effect on 28 October 2015.

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

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

This Standard has been issued as a result of International Standard on Auditing 700 being revised.

This Standard, when applied, supersedes International Standard on Auditing (New Zealand) 700 *Forming an Opinion and Reporting on Financial Statements*.

This compilation was prepared in October 2024 and incorporates amendments up to and including November 2023.

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INTERNATIONAL STANDARD ON AUDITING (NEW ZEALAND) 700 (REVISED)

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International Standard on Auditing (New Zealand) (ISA (NZ)) 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, should be read in conjunction with ISA (NZ) 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (New Zealand)*.

History of Amendments

Table of pronouncements – ISA (NZ) 700 (Revised) *Forming an Opinion and Reporting on Financial Statements*

This table lists the pronouncements establishing and amending ISA (NZ) 700 (Revised).

| Pronouncements | Date approved | Effective date |
|--|----------------------|---|
| International Standard on Auditing (New Zealand) 700 (Revised) | September 2015 | Effective for audits of historical financial statements for periods ending on or after 15 December 2016, except for the New Zealand transitional provisions that apply to FMC reporting entities considered to have a higher level of public accountability, other than listed issuers that only requires the reporting of key audit matters for such entities for periods ending on or after 31 December 2018. |
| International Standard on Auditing (New Zealand) 800 (Revised) | September 2016 | Effective for audits of financial statements for periods ending on or after 15 December 2016. |
| Amendments to Standards Issued by the NZAuASB: Annual Improvements 2016 | October 2016 | Effective 15 December 2016. |
| Conforming and Consequential Amendments to ISAs (NZ) and Other Pronouncements (Auditing Estimates) | October 2018 | Effective for audits of financial statements for periods beginning on or after 15 December 2018. |
| 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 International Standards (New Zealand) Arising from ISA (NZ) 315 (Revised 2019) | February 2020 | Effective for audits of financial statements for periods beginning on or after 15 December 2021. |
| Conforming Amendments to International Standards on Auditing (New Zealand) and Other Pronouncements Arising from the Quality Management Projects | July 2021 | Effective for audits of financial statements for periods beginning on or after 15 December 2022. |

| Pronouncements | Date approved | Effective date |
|--|----------------------|--|
| Conforming and Consequential Amendments to ISAs (NZ) and Other Pronouncements arising from ISA (NZ) 600 (Revised) | June 2022 | Effective for audits of group financial statements for periods beginning on or after 15 December 2023. |
| Amendments to Auditing and Review Engagement Standards as a Result of the Revisions to Financial Reporting Standards | May 2023 | Mandatory date of 1 January 2023. |
| NZ AS 1 (Revised) <i>The Audit of Service Performance Information</i> | July 2023 | Mandatory date of 1 January 2024. |
| Narrow Scope Amendments to ISAs (NZ) due to Public Interest Entity Revisions | November 2023 | Mandatory date of 15 December 2024. |

| Table of Amended Paragraphs in ISA (NZ) 700 (Revised) | | |
|--|---------------------|--|
| Paragraph affected | How affected | By...[date] |
| NZ46.1, NZA61.1, NZA62.1 | Amended | International Standard on Auditing (New Zealand) 800 (Revised) [Sept 2016] |
| Illustrative reports | Amended | Amendments to Standards Issued by the NZAuASB: Annual Improvements 2016 [Oct 2016] |
| 13 | Amended | Conforming and Consequential Amendments to ISAs (NZ) and Other Pronouncements (Auditing Estimates) [Oct 2018] |
| 28(c), NZ28(c), NZ40(b)(1), NZ50(e)(1), A34, A39, Appendix | Amended | Conforming Amendments to Auditing and Assurance Standards as a result of the revised Professional and Ethical Standard 1 [June 2020] |
| NZA47.1, A53 Footnotes 27, 35, 41 | Amended | Conforming and Consequential Amendments to International Standards (New Zealand) Arising from ISA (NZ) 315 (Revised 2019) [Feb 2020] |
| A36, NZ A61.1 | Amended | Conforming Amendments to International Standards on Auditing (New Zealand) and Other Pronouncements Arising from the Quality Management Projects [July 2021] |

| Table of Amended Paragraphs in ISA (NZ) 700 (Revised) | | |
|---|----------------------|---|
| 39(c)(i),(ii), Footnotes 17, 18, 30, 31 A38, A39, Appendix [NZ] Illustration 1,2, 3,4 | Amended, Inserted | Conforming and Consequential Amendments to ISAs (NZ) and Other Pronouncements arising from ISA (NZ) 600 (Revised) [June 2022] |
| Illustrative reports | Amended | Amendments to Auditing and Review Engagement Standards as a Result of the Revisions to Financial Reporting Standards [May 2023] |
| NZA 28.1, Illustrative reports | Amended | NZ AS 1 (Revised) <i>The Audit of Service Performance Information</i> [July 2023] |
| 28, 50, Illustrative reports A35A | Amended Added | Narrow Scope Amendments to ISAs (NZ) due to Public Interest Entity Revisions [November 2023] |

Introduction

Scope of this ISA (NZ)

1. This International Standard on Auditing (New Zealand) (ISA (NZ)) deals with the auditor's responsibility to form an opinion on the financial statements. It also deals with the form and content of the auditor's report issued as a result of an audit of financial statements.
2. ISA (NZ) 701¹ deals with the auditor's responsibility to communicate key audit matters in the auditor's report. ISA (NZ) 705² (Revised) and ISA (NZ) 706³ (Revised) deal with how the form and content of the auditor's report are affected when the auditor expresses a modified opinion or includes an Emphasis of Matter paragraph or an Other Matter paragraph in the auditor's report. Other ISAs (NZ) also contain reporting requirements that are applicable when issuing an auditor's report.
3. This ISA (NZ) applies to an audit of a complete set of general purpose financial statements and is written in that context. ISA (NZ) 800 (Revised)⁴ deals with special considerations when financial statements are prepared in accordance with a special purpose framework. ISA (NZ) 805 (Revised)⁵ deals with special considerations relevant to an audit of a single financial statement or of a specific element, account or item of a financial statement. This ISA (NZ) also applies to audits for which ISA (NZ) 800 (Revised) or ISA (NZ) 805 (Revised) apply.
4. The requirements of this ISA (NZ) are aimed at addressing an appropriate balance between the need for consistency and comparability in auditor reporting globally and the need to increase the value of auditor reporting by making the information provided in the auditor's report more relevant to users. This ISA (NZ) promotes consistency in the auditor's report, but recognises the need for flexibility to accommodate particular circumstances applicable in New Zealand. Consistency in the auditor's report, when the audit has been conducted in accordance with ISAs (NZ), promotes credibility in the global marketplace by making more readily identifiable those audits that have been conducted in accordance with globally recognised standards. It also helps to promote the user's understanding and to identify unusual circumstances when they occur.

NZ4.1 In New Zealand, those charged with governance generally have responsibility for ensuring an entity meets its legal obligations in relation to the preparation of the financial statements. In these cases the process of financial reporting is usually delegated to management, but the responsibility for such matters remains with those charged with governance. In applying this standard the auditor shall apply professional judgement, using knowledge of the legal requirements and corporate governance practices of New Zealand as well as the

¹ ISA (NZ) 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

² ISA (NZ) 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

³ ISA (NZ) 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*

⁴ ISA (NZ) 800 (Revised), *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*

⁵ ISA (NZ) 805 (Revised), *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*

particular engagement circumstances, to determine whether the requirements of this standard apply to management or those charged with governance or both.

Effective Date

5. This ISA (NZ) is effective for audits of financial statements for periods ending on or after 15 December 2016. [*Note: For the effective dates of paragraphs changed or added by an Amending Standard see the History of Amendments*].

NZ5.1 This ISA (NZ) supersedes ISA (NZ) 700, *Forming an Opinion and Reporting on Financial Statements*.

Transitional provisions

NZ5.2 Paragraph 30 of this ISA (NZ) requires that for audits of complete sets of general purpose financial statements of a FMC reporting entity considered to have a higher level of public accountability, the auditor shall communicate key audit matters in the auditor's report in accordance with ISA (NZ) 701. The requirement to report key audit matters is subject to the following transitional provisions:

- For the audits of complete sets of general purpose financial statements of listed issuers, the auditor shall communicate key audit matters in the auditor's report for periods ending on or after 15 December 2016. For the purposes of this transitional provision, a listed issuer is defined as a person that is party to a listing agreement with a licensed market operator in relation to a licensed market (and includes a licensed market operator that has financial products quoted on its own licensed market) (as defined in the Financial Markets Conduct Act 2013 section 6(1)).
- For the audits of complete sets of general purpose financial statements of a FMC reporting entity considered to have a higher level of public accountability other than listed issuers, the auditor shall communicate key audit matters in the auditor's report for periods ending on or after 31 December 2018.

Objectives

6. The objectives of the auditor are:
 - (a) To form an opinion on the financial statements based on an evaluation of the conclusions drawn from the audit evidence obtained; and
 - (b) To express clearly that opinion through a written report.

Definitions

7. For purposes of the ISAs (NZ), the following terms have the meanings attributed below:
 - (a) General purpose financial statements – Financial statements prepared in accordance with a general purpose framework.
 - (b) General purpose framework – A financial reporting framework designed to meet the common financial information needs of a wide range of users. The financial reporting framework may be a fair presentation framework or a compliance framework.

The term “fair presentation framework” is used to refer to a financial reporting framework that requires compliance with the requirements of the framework and:

- (i) Acknowledges explicitly or implicitly that, to achieve fair presentation of the financial statements, it may be necessary for management to provide disclosures beyond those specifically required by the framework; or
- (ii) Acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the financial statements. Such departures are expected to be necessary only in extremely rare circumstances.

The term “compliance framework” is used to refer to a financial reporting framework that requires compliance with the requirements of the framework, but does not contain the acknowledgements in (i) or (ii) above.⁶

- (c) Unmodified opinion – The opinion expressed by the auditor when the auditor concludes that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.⁷
8. Reference to “financial statements” in this ISA (NZ) means “a complete set of general purpose financial statements.”⁸ The requirements of the applicable financial reporting framework determine the presentation, structure and content of the financial statements, and what constitutes a complete set of financial statements.
9. Reference to “International Financial Reporting Standards” in this ISA (NZ) means the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board, and reference to “International Public Sector Accounting Standards” means the International Public Sector Accounting Standards (IPSASs) issued by the International Public Sector Accounting Standards Board.
- NZ9.1 Reference to “New Zealand equivalents to International Financial Reporting Standards (NZ IFRS)” or other applicable financial reporting requirements in this ISA (NZ) means the New Zealand equivalents to International Financial Reporting Standards or other financial reporting requirements issued by the New Zealand Accounting Standards Board.

Requirements

Forming an Opinion on the Financial Statements

10. The auditor shall form an opinion on whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.^{9,10}

⁶ ISA (NZ) 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (New Zealand)*, paragraph 13(a)

⁷ Paragraphs 25–26 deal with the phrases used to express this opinion in the case of a fair presentation framework and a compliance framework respectively.

⁸ ISA (NZ) 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (New Zealand)*, paragraph 13(f) sets out the content of financial statements.

⁹ ISA (NZ) 200, paragraph 11

¹⁰ Paragraphs 25–26 deal with the phrases used to express this opinion in the case of a fair presentation framework and a compliance framework respectively.

11. In order to form that opinion, the auditor shall conclude as to whether the auditor has obtained reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. That conclusion shall take into account:
 - (a) The auditor's conclusion, in accordance with ISA (NZ) 330, whether sufficient appropriate audit evidence has been obtained;¹¹
 - (b) The auditor's conclusion, in accordance with ISA (NZ) 450, whether uncorrected misstatements are material, individually or in aggregate;¹² and
 - (c) The evaluations required by paragraphs 12–15.
12. The auditor shall evaluate whether the financial statements are prepared, in all material respects, in accordance with the requirements of the applicable financial reporting framework. This evaluation shall include consideration of the qualitative aspects of the entity's accounting practices, including indicators of possible bias in management's judgements. (Ref: Para. A1–A3)
13. In particular, the auditor shall evaluate whether, in view of the requirements of the applicable financial reporting framework:
 - (a) The financial statements appropriately disclose the significant accounting policies selected and applied. In making this evaluation, the auditor shall consider the relevance of the accounting policies to the entity, and whether they have been presented in an understandable manner; (Ref: Para. A4);
 - (b) The accounting policies selected and applied are consistent with the applicable financial reporting framework and are appropriate;
 - (c) The accounting estimates and related disclosures made by management are reasonable;
 - (d) The information presented in the financial statements is relevant, reliable, comparable, and understandable. In making this evaluation, the auditor shall consider whether:
 - The information that should have been included has been included, and whether such information is appropriately classified, aggregated or disaggregated, and characterised.
 - The overall presentation of the financial statements has been undermined by including information that is not relevant or that obscures a proper understanding of the matters disclosed. (Ref: Para. A5)
 - (e) The financial statements provide adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the financial statements; and (Ref: Para. A6)
 - (f) The terminology used in the financial statements, including the title of each financial statement, is appropriate.

¹¹ ISA (NZ) 330, *The Auditor's Responses to Assessed Risks*, paragraph 26

¹² ISA (NZ) 450, *Evaluation of Misstatements Identified during the Audit*, paragraph 11

14. When the financial statements are prepared in accordance with a fair presentation framework, the evaluation required by paragraphs 12–13 shall also include whether the financial statements achieve fair presentation. The auditor’s evaluation as to whether the financial statements achieve fair presentation shall include consideration of: (Ref: Para A7–A9)
 - (a) The overall presentation, structure and content of the financial statements; and
 - (b) Whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
15. The auditor shall evaluate whether the financial statements adequately refer to or describe the applicable financial reporting framework. (Ref: Para. A10-A15)

Form of Opinion

16. The auditor shall express an unmodified opinion when the auditor concludes that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.
17. If the auditor:
 - (a) concludes that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement; or
 - (b) is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement,the auditor shall modify the opinion in the auditor’s report in accordance with ISA (NZ) 705 (Revised).
18. If financial statements prepared in accordance with the requirements of a fair presentation framework do not achieve fair presentation, the auditor shall discuss the matter with management and, depending on the requirements of the applicable financial reporting framework and how the matter is resolved, shall determine whether it is necessary to modify the opinion in the auditor’s report in accordance with ISA (NZ) 705 (Revised). (Ref: Para. A16)
19. When the financial statements are prepared in accordance with a compliance framework, the auditor is not required to evaluate whether the financial statements achieve fair presentation. However, if in extremely rare circumstances the auditor concludes that such financial statements are misleading, the auditor shall discuss the matter with management and, depending on how it is resolved, shall determine whether, and how, to communicate it in the auditor’s report. (Ref: Para. A17)

Auditor’s Report

20. The auditor’s report shall be in writing. (Ref: Para. A18–A19)

Auditor's Report for Audits Conducted in Accordance with International Standards on Auditing (New Zealand)

Title

21. The auditor's report shall have a title that clearly indicates that it is the report of an independent auditor. (Ref: Para. A20)

Addressee

22. The auditor's report shall be addressed, as appropriate, based on the circumstances of the engagement. (Ref: Para. A21)

Auditor's Opinion

23. The first section of the auditor's report shall include the auditor's opinion, and shall have the heading "Opinion."
 24. The Opinion section of the auditor's report shall also:
 - (a) Identify the entity whose financial statements have been audited;
 - (b) State that the financial statements have been audited;
 - (c) Identify the title of each statement comprising the financial statements;
 - (d) Refer to the notes, including the summary of significant accounting policies; and
 - (e) Specify the date of, or period covered by, each financial statement comprising the financial statements. (Ref: Para. A22–A23)
 25. When expressing an unmodified opinion on financial statements prepared in accordance with a fair presentation framework, the auditor's opinion shall, unless otherwise required by law or regulation, use one of the following phrases, which are regarded as being equivalent:
 - (a) In our opinion, the accompanying financial statements present fairly, in all material respects, [...] in accordance with [the applicable financial reporting framework]; or
 - (b) In our opinion, the accompanying financial statements give a true and fair view of [...] in accordance with [the applicable financial reporting framework]. (Ref: Para. A24–A31)
 26. When expressing an unmodified opinion on financial statements prepared in accordance with a compliance framework, the auditor's opinion shall be that the accompanying financial statements are prepared, in all material respects, in accordance with [the applicable financial reporting framework]. (Ref: Para. A26-A31)
 27. If the reference to the applicable financial reporting framework in the auditor's opinion is not to IFRSs issued by the International Accounting Standards Board or IPSASs issued by the International Public Sector Accounting Standards Board, the auditor's opinion shall identify the jurisdiction of origin of the framework.
- NZ27.1 For an entity in New Zealand, that is required to apply the New Zealand Accounting Standards Framework, the reference to the applicable financial reporting framework in the auditor's opinion should be to the applicable financial reporting requirements issued by the

New Zealand Accounting Standards Board that apply to the tier under which the entity is reporting. (Ref: Para. NZA28.1)

Basis for Opinion

28. The auditor's report shall include a section, directly following the Opinion section, with the heading "Basis for Opinion", that: (Ref: Para. A32)
- (a) States that the audit was conducted in accordance with International Standards on Auditing (New Zealand); (Ref: Para. A33)
 - (b) Refers to the section of the auditor's report that describes the auditor's responsibilities under the ISAs (NZ);
 - (c) Includes a statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit and has fulfilled the auditor's other ethical responsibilities in accordance with these requirements.
 - (i) The statement shall identify the jurisdiction of origin of the relevant ethical requirements or refer to the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) and (Ref: Para. A34-A35, A36-A37)
 - (ii) If the relevant ethical requirements require¹³ the auditor to publicly disclose when the auditor applied independence requirements specific to audits of financial statements of certain entities, the statement shall indicate that the auditor is independent in accordance with the independence requirements applicable to the audits of those entities.; and (Ref: Para. A35A)

NZ28(c) In New Zealand, the statement required by paragraph 28(c) shall refer to Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

- (d) States whether the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor's opinion.

NZ28.1 The auditor's report shall include a statement as to the existence of any relationship (other than that of auditor) which the auditor has with, or any interests which the auditor has in, the entity. [NZ] Appendix 2 provides an example of the wording that may be used in the audit of financial statements to identify relationships with, or interest in, the entity.

Going Concern

29. Where applicable, the auditor shall report in accordance with ISA (NZ) 570 (Revised).¹⁴

Key Audit Matters

30. [Amended by the NZAuASB].

¹³ Professional and Ethical Standard 1, R400.25-R400.26

¹⁴ ISA (NZ) 570 (Revised), *Going Concern*, paragraphs 21–23

- NZ30.1 For audits of complete sets of general purpose financial statements of FMC reporting entities considered to have a higher level of public accountability, the auditor shall communicate key audit matters in the auditor's report in accordance with ISA (NZ) 701.
31. When the auditor is otherwise required by law or regulation or decides to communicate key audit matters in the auditor's report, the auditor shall do so in accordance with ISA (NZ) 701. (Ref: Para. A40-A43)

Other Information

32. Where applicable, the auditor shall report in accordance with ISA (NZ) 720 (Revised)¹⁵.

Responsibilities for the Financial Statements

33. [Amended by the NZAuASB].
- NZ33.1 The auditor's report shall include a section with a heading "Responsibilities of Those Charged with Governance for the Financial Statements." The auditor's report shall use the term that is appropriate in the context of the legal framework in the particular jurisdiction. In New Zealand, the appropriate reference is usually to those charged with governance. In some jurisdictions, the appropriate reference may be to management. (Ref: Para. A44)
34. [Amended by the NZAuASB].
- NZ34.1 This section of the auditor's report shall describe the responsibilities of those charged with governance for: (Ref: Para. A45-A48)
- (a) Preparing the financial statements in accordance with the applicable financial reporting framework, and for such internal control as those charged with governance determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- (b) Assessing the entity's ability to continue as a going concern¹⁶ and whether the use of the going concern basis of accounting is appropriate as well as disclosing, if applicable, matters relating to going concern. The explanation of the responsibilities of those charged with governance for this assessment shall include a description of when the use of the going concern basis of accounting is appropriate. (Ref: Para. A48)
35. This section of the auditor's report shall also identify those responsible for the oversight of the financial reporting process, when those responsible for such oversight are different from those who fulfill the responsibilities described in paragraph 34 above. In this case, the heading of this section shall also refer to "Those Charged with Governance" or such term that is appropriate in the context of the legal framework. (Ref: Para. A49)
36. When the financial statements are prepared in accordance with a fair presentation framework, the description of responsibilities for the financial statements in the auditor's report shall refer to "the preparation and fair presentation of these financial statements" or "the preparation of financial statements that give a true and fair view," as appropriate in the circumstances.

¹⁵ ISA (NZ) 720 (Revised), *The Auditor's Responsibility Relating to Other Information*

¹⁶ ISA (NZ) 570 (Revised), paragraph 2

Auditor's Responsibilities for the Audit of the Financial Statements

37. The auditor's report shall include a section with the heading "Auditor's Responsibilities for the Audit of the Financial Statements."
38. This section of the auditor's report shall: (Ref: Para. A50)
- (a) State that the objectives of the auditor are to:
 - (i) Obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
 - (ii) Issue an auditor's report that includes the auditor's opinion. (Ref: Para. A51)
 - (b) State that reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists; and
 - (c) State that misstatements can arise from fraud or error, and either:
 - (i) Describe that they are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements; or¹⁷
 - (ii) Provide a definition or description of materiality in accordance with the applicable financial reporting framework. (Ref: Para. A52)
39. The Auditor's Responsibilities for the Audit of the Financial Statements section of the auditor's report shall further: (Ref: Para. A50)
- (a) State that, as part of an audit in accordance with ISAs (NZ), the auditor exercises professional judgement and maintains professional scepticism throughout the audit; and
 - (b) Describe an audit by stating that the auditor's responsibilities are:
 - (i) To identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; to design and perform audit procedures responsive to those risks; and to obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - (ii) To obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. In circumstances when the auditor also has a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, the auditor shall omit the phrase that the auditor's consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

¹⁷ ISA (NZ) 320, *Materiality in Planning and Performing an Audit*, paragraph 2

- (iii) To evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - (iv) To conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. The auditor’s conclusions are based on the audit evidence obtained up to the date of the auditor’s report. However, future events or conditions may cause an entity to cease to continue as a going concern.
 - (v) When the financial statements are prepared in accordance with a fair presentation framework, to evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (c) When ISA (NZ) 600 (Revised)¹⁸ applies, further describe the auditor’s responsibilities in a group audit engagement by stating that:
- (i) The auditor’s responsibilities are to plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements;
 - (ii) The auditor is responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit; and
 - (iii) The auditor remains solely responsible for the auditor’s opinion.¹⁹
40. The Auditor’s Responsibilities for the Audit of the Financial Statements section of the auditor’s report also shall: (Ref: Para. A50)
- (a) State that the auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit;
 - (b) [Amended by the NZAuASB].
- NZ40(b)(1) For audits of FMC reporting entities considered to have a higher level of public accountability, state that the auditor provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that

¹⁸ ISA (NZ) 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

¹⁹ ISA (NZ) 600 (Revised), paragraph 53

may reasonably be thought to bear on the auditor's independence, and where applicable, actions taken to eliminate threats or safeguards applied; and

(c) [Amended by the NZAuASB].

NZ40(c)1 For audits of financial statements of FMC reporting entities considered to have a higher level of public accountability and any other entities for which key audit matters are communicated in accordance with ISA (NZ) 701, state that, from the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication. (Ref: Para. A53)

Location of the description of the auditor's responsibilities for the audit of the financial statements

41. The description of the auditor's responsibilities for the audit of the financial statements required by paragraphs 38–39 shall be included: (Ref: Para. A54)
 - (a) Within the body of the auditor's report;
 - (b) Within an appendix to the auditor's report, in which case the auditor's report shall include a reference to the location of the appendix; or (Ref: Para. A54-A55)
 - (c) By a specific reference within the auditor's report to the location of such a description on a website of an appropriate authority, where law, regulation or ISAs (NZ) expressly permit the auditor to do so. (Ref: Para. A54, A56–A57)
42. When the auditor refers to a description of the auditor's responsibilities on a website of an appropriate authority, the auditor shall determine that such description addresses, and is not inconsistent with, the requirements in paragraphs 38–39 of this ISA (NZ). (Ref: Para. A56)

Other Reporting Responsibilities

43. If the auditor addresses other reporting responsibilities in the auditor's report on the financial statements that are in addition to the auditor's responsibilities under the ISAs (NZ), these other reporting responsibilities shall be addressed in a separate section in the auditor's report with a heading titled "Report on Other Legal and Regulatory Requirements" or otherwise as appropriate to the content of the section, unless these other reporting responsibilities address the same topics as those presented under the reporting responsibilities required by the ISAs (NZ) in which case the other reporting responsibilities may be presented in the same section as the related report elements required by the ISAs (NZ). (Ref: Para. A58–A60)
44. If other reporting responsibilities are presented in the same section as the related report elements required by the ISAs (NZ), the auditor's report shall clearly differentiate the other reporting responsibilities from the reporting that is required by the ISAs (NZ). (Ref: Para. A60)
45. If the auditor's report contains a separate section that addresses other reporting responsibilities, the requirements of paragraphs 20–39 of this ISA (NZ) shall be included under a section with

a heading “Report on the Audit of the Financial Statements.” The “Report on Other Legal and Regulatory Requirements” shall follow the “Report on the Audit of the Financial Statements.” (Ref: Para. A60)

Name of the Engagement Partner

46. [Amended by the NZAuASB].

NZ46.1 The name of the engagement partner shall be included in the auditor’s report on financial statements of FMC reporting entities considered to have a higher level of public accountability unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat. In the rare circumstances that the auditor intends not to include the name of the engagement partner in the auditor’s report, the auditor shall discuss this intention with those charged with governance to inform the auditor’s assessment of the likelihood and severity of a significant personal security threat. (Ref: Para. A61–A63)

Signature of the Auditor

47. The auditor’s report shall be signed. (Ref: Para. A64–A65)

Auditor’s Address

48. The auditor’s report shall name the location in the jurisdiction where the auditor practices.

Date of the Auditor’s Report

49. The auditor’s report shall be dated no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor’s opinion on the financial statements, including evidence that: (Ref: Para. A66–A69)

- (a) All the statements and disclosures that comprise the financial statements have been prepared; and
- (b) Those with the recognised authority have asserted that they have taken responsibility for those financial statements.

Auditor’s Report Prescribed by Law or Regulation

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

- (a) A title.
- (b) An addressee, as required by the circumstances of the engagement.
- (c) An Opinion section containing an expression of opinion on the financial statements and a reference to the applicable financial reporting framework used to prepare the financial statements (including identifying the jurisdiction of origin of the financial reporting framework that is not International Financial Reporting Standards or International Public Sector Accounting Standards, see paragraph 26).

- NZ50(c)(1) The opinion paragraph shall identify the applicable financial reporting requirements issued by the New Zealand Accounting Standards Board used to prepare the financial statements.
- (d) An identification of the entity’s financial statements that have been audited.
 - (e) A statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit, and has fulfilled the auditor’s other ethical responsibilities in accordance with these requirements.
 - (i) The statement shall identify the jurisdiction of origin of the relevant ethical requirements or refer to the IESBA Code.
 - (ii) If the relevant ethical requirements require the auditor to publicly disclose when the auditor applied independence requirements specific to audits of financial statements of certain entities, the statement shall indicate that the auditor is independent of the entity in accordance with the independence requirements applicable to the audits of those entities.
- NZ50(e)(1) In New Zealand, the independence statement shall refer to Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board.
- (f) Where applicable, a section that addresses, and is not inconsistent with, the reporting requirements in paragraph 22 of ISA (NZ) 570 (Revised).
 - (g) Where applicable, a Basis for Qualified (or Adverse) Opinion section that addresses, and is not inconsistent with, the reporting requirements in paragraph 23 of ISA (NZ) 570 (Revised).
 - (h) Where applicable, a section that includes the information required by ISA (NZ) 701, or additional information about the audit that is prescribed by law or regulation and that addresses, and is not inconsistent with, the reporting requirements in that ISA (NZ).²⁰ (Ref: Para. A72–A73)
 - (i) Where applicable, a section that addresses the reporting requirements in paragraph 24 of ISA (NZ) 720 (Revised)²¹.
 - (j) [Amended by the NZAuASB].
- NZ50(j)(1) A description of the responsibilities of those charged with governance for the preparation of the financial statements that addresses, and is not inconsistent with, the requirements in paragraphs 33–36.
- (k) A reference to International Standards on Auditing (New Zealand) and the law or regulation, and a description of the auditor’s responsibilities for an audit of the financial statements that addresses, and is not inconsistent with, the requirements in paragraphs 37–40. (Ref: Para. A50–A53)
 - (l) [Amended by the NZAuASB].

²⁰ ISA (NZ) 701, paragraphs 11–16

²¹ ISA (NZ) 720 (Revised), paragraph 24.

- NZ50(1)(1) For audits of complete sets of general purpose financial statements of FMC reporting entities considered to have a higher level of public accountability, the name of the engagement partner unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat.
- (m) The auditor's signature.
 - (n) The auditor's address.
 - (o) The date of the auditor's report.

Auditor's Report for Audits Conducted in Accordance with Both New Zealand Auditing Standards and International Standards on Auditing

51. [Amended by the NZAuASB].

- NZ51.1 An auditor is required to conduct an audit in accordance with the ISAs (NZ). Compliance with the ISAs (NZ) will also mean the auditor has complied with the International Standards on Auditing (ISAs) in the conduct of the audit. In this case, the auditor's report may refer to International Standards on Auditing in addition to the International Standards on Auditing (New Zealand).
52. When the auditor's report refers to both the national auditing standards and International Standards on Auditing, the auditor's report shall identify the jurisdiction of origin of the national auditing standards.

Supplementary Information Presented with the Financial Statements (Ref: Para. A78–A84)

53. If supplementary information that is not required by the applicable financial reporting framework is presented with the audited financial statements, the auditor shall evaluate whether, in the auditor's professional judgement, supplementary information is nevertheless an integral part of the financial statements due to its nature or how it is presented. When it is an integral part of the financial statements, the supplementary information shall be covered by the auditor's opinion.
54. If supplementary information that is not required by the applicable financial reporting framework is not considered an integral part of the audited financial statements, the auditor shall evaluate whether such supplementary information is presented in a way that sufficiently and clearly differentiates it from the audited financial statements. If this is not the case, then the auditor shall ask management to change how the unaudited supplementary information is presented. If management refuses to do so, the auditor shall identify the unaudited supplementary information and explain in the auditor's report that such supplementary information has not been audited.

Application and Other Explanatory Material

Qualitative Aspects of the Entity's Accounting Practices (Ref: Para. 12)

- A1. Management makes a number of judgements about the amounts and disclosures in the financial statements.

- A2. ISA (NZ) 260 (Revised) contains a discussion of the qualitative aspects of accounting practices.²² In considering the qualitative aspects of the entity's accounting practices, the auditor may become aware of possible bias in management's judgements. The auditor may conclude that the cumulative effect of a lack of neutrality, together with the effect of uncorrected misstatements, causes the financial statements as a whole to be materially misstated. Indicators of a lack of neutrality that may affect the auditor's evaluation of whether the financial statements as a whole are materially misstated include the following:
- The selective correction of misstatements brought to management's attention during the audit (e.g., 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.
- A3. ISA (NZ) 540 addresses possible management bias in making accounting estimates.²³ Indicators of possible management bias do not constitute misstatements for purposes of drawing conclusions on the reasonableness of individual accounting estimates. They may, however, affect the auditor's evaluation of whether the financial statements as a whole are free from material misstatement.

Accounting Policies Appropriately Disclosed in the Financial Statements (Ref: Para. 13(a))

- A4. In evaluating whether the financial statements appropriately disclose the significant accounting policies selected and applied, the auditor's consideration includes matters such as:
- Whether all disclosures related to the significant accounting policies that are required to be included by the applicable financial reporting framework have been disclosed;
 - Whether the information about the significant accounting policies that has been disclosed is relevant and therefore reflects how the recognition, measurement and presentation criteria in the applicable financial reporting framework have been applied to classes of transactions, account balances and disclosures in the financial statements in the particular circumstances of the entity's operations and its environment; and
 - The clarity with which the significant accounting policies have been presented.

Information Presented in the Financial Statements Is Relevant, Reliable, Comparable and Understandable (Ref: Para. 13(d))

- A5. Evaluating the understandability of the financial statements includes consideration of such matters as whether:
- The information in the financial statements is presented in a clear and concise manner.

²² ISA (NZ) 260 (Revised), *Communication with Those Charged with Governance*, Appendix 2

²³ ISA (NZ) 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*, paragraph 32

- The placement of significant disclosures gives appropriate prominence to them (e.g., when there is perceived value of entity-specific information to users), and whether the disclosures are appropriately cross-referenced in a manner that would not give rise to significant challenges for users in identifying necessary information.

Disclosure of the Effect of Material Transactions and Events on the Information Conveyed in the Financial Statements (Ref: Para. 13(e))

A6. It is common for financial statements prepared in accordance with a general purpose framework to present an entity's financial position, financial performance and cash flows. Evaluating whether, in view of the applicable financial reporting framework, 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 includes consideration of such matters as:

- The extent to which the information in the financial statements is relevant and specific to the circumstances of the entity; and
- Whether the disclosures are adequate to assist the intended users to understand:
 - The nature and extent of the entity's potential assets and liabilities arising from transactions or events that do not meet the criteria for recognition (or the criteria for derecognition) established by the applicable financial reporting framework.
 - The nature and extent of risks of material misstatement arising from transactions and events.
 - The methods used and the assumptions and judgements made, and changes to them, that affect amounts presented or otherwise disclosed, including relevant sensitivity analyses.

Evaluating Whether the Financial Statements Achieve Fair Presentation (Ref: Para. 14)

A7. Some financial reporting frameworks acknowledge explicitly or implicitly the concept of fair presentation.²⁴ As noted in paragraph 7(b) of this ISA (NZ), a fair presentation²⁵ financial reporting framework not only requires compliance with the requirements of the framework, but also acknowledges explicitly or implicitly that it may be necessary for management to provide disclosures beyond those specifically required by the framework.²⁶

A8. The auditor's evaluation about whether the financial statements achieve fair presentation, both in respect of presentation and disclosure, is a matter of professional judgement. This evaluation takes into account such matters as the facts and circumstances of the entity,

²⁴ For example, New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) note that fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses.

²⁵ See ISA (NZ) 200, paragraph 13(a)

²⁶ For example, NZ IFRS require an entity to provide additional disclosures when compliance with the specific requirements in NZ IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance (New Zealand equivalents to International Accounting Standard 1, *Presentation of Financial Statements*, paragraph 17(c)).

including changes thereto, based on the auditor's understanding of the entity and the audit evidence obtained during the audit. The evaluation also includes consideration, for example, of the disclosures needed to achieve a fair presentation arising from matters that could be material (i.e., in general, misstatements are considered to be material if they could reasonably be expected to influence the economic decisions of the users taken on the basis of the financial statements as a whole), such as the effect of evolving financial reporting requirements or the changing economic environment.

- A9. Evaluating whether the financial statements achieve fair presentation may include, for example, discussions with management and those charged with governance about their views on why a particular presentation was chosen, as well as alternatives that may have been considered. The discussions may include, for example:
- The degree to which the amounts in the financial statements are aggregated or disaggregated, and whether the presentation of amounts or disclosures obscures useful information, or results in misleading information.
 - Consistency with appropriate industry practice, or whether any departures are relevant to the entity's circumstances and therefore warranted.

Description of the Applicable Financial Reporting Framework (Ref: Para. 15)

- A10. As explained in ISA (NZ) 200, the preparation of the financial statements by management and, where appropriate, those charged with governance requires the inclusion of an adequate description of the applicable financial reporting framework in the financial statements.²⁷ That description advises users of the financial statements of the framework on which the financial statements are based.
- A11. A description that the financial statements are prepared in accordance with a particular applicable financial reporting framework is appropriate only if the financial statements comply with all the requirements of that framework that are effective during the period covered by the financial statements.
- A12. A description of the applicable financial reporting framework that contains imprecise qualifying or limiting language (e.g., "the financial statements are in substantial compliance with New Zealand equivalents to International Financial Reporting Standards") is not an adequate description of that framework as it may mislead users of the financial statements.

Reference to More than One Financial Reporting Framework

- A13. In some cases, the financial statements may represent that they are prepared in accordance with two financial reporting frameworks (e.g., NZ IFRS and IFRSs). This may be because management is required, or has chosen, to prepare the financial statements in accordance with both frameworks, in which case both are applicable financial reporting frameworks. Such description is appropriate only if the financial statements comply with each of the frameworks individually. To be regarded as being prepared in accordance with both frameworks, the financial statements need to comply with both frameworks simultaneously

²⁷ ISA (NZ) 200, paragraphs A2–A3

and without any need for reconciling statements. In practice, simultaneous compliance is unlikely unless New Zealand has adopted the other framework as its own framework, or has eliminated all barriers to compliance with it.

- A14. Financial statements that are prepared in accordance with one financial reporting framework and that contain a note or supplementary statement reconciling the results to those that would be shown under another framework are not prepared in accordance with that other framework. This is because the financial statements do not include all the information in the manner required by that other framework.
- A15. The financial statements may, however, be prepared in accordance with one applicable financial reporting framework and, in addition, describe in the notes to the financial statements the extent to which the financial statements comply with another framework (e.g., financial statements prepared in accordance with NZ IFRS that also describe the extent to which they comply with IFRSs). Such description may constitute supplementary financial information as discussed in paragraph 54 and is covered by the auditor's opinion if it cannot be clearly differentiated from the financial statements.

Form of Opinion (Ref: Para. 18–19)

- A16. There may be cases where the financial statements, although prepared in accordance with the requirements of a fair presentation framework, do not achieve fair presentation. Where this is the case, it may be possible for management to include additional disclosures in the financial statements beyond those specifically required by the framework or, in extremely rare circumstances, to depart from a requirement in the framework in order to achieve fair presentation of the financial statements.
- A17. It will be extremely rare for the auditor to consider financial statements that are prepared in accordance with a compliance framework to be misleading if, in accordance with ISA (NZ) 210, the auditor determined that the framework is acceptable.²⁸

Auditor's Report (Ref: Para. 20)

- A18. A written report encompasses reports issued in hard copy and those using an electronic medium.
- A19. The Appendix to this ISA (NZ) contains illustrations of auditor's reports on financial statements, incorporating the elements set out in paragraphs 20–49. With the exception of the Opinion and Basis for Opinion sections, this ISA (NZ) does not establish requirements for ordering the elements of the auditor's report. However, this ISA (NZ) requires the use of specific headings, which are intended to assist in making auditor's reports that refer to audits that have been conducted in accordance with ISAs (NZ) more recognisable, particularly in situations where the elements of the auditor's report are presented in an order that differs from the illustrative auditor's reports in the Appendix to this ISA (NZ).

²⁸ ISA (NZ) 210, *Agreeing the Terms of Audit Engagements*, paragraph 6(a)

Auditor's Report for Audits Conducted in Accordance with International Standards on Auditing (New Zealand)

Title (Ref: Para. 21)

A20. A title indicating the report is the report of an independent auditor, for example, "Independent Auditor's Report," distinguishes the independent auditor's report from reports issued by others.

Addressee (Ref: Para. 22)

A21. Law, regulation or the terms of the engagement may specify to whom the auditor's report is to be addressed. The auditor'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 audited.

Auditor's Opinion (Ref. Para. 24–26)

Reference to the financial statements that have been audited

A22. The auditor's report states, for example, that the auditor has audited the financial statements of the entity, which comprise [state the title of each financial statement comprising the complete set of financial statements required by the applicable financial reporting framework, specifying the date or period covered by each financial statement] and notes to the financial statements, including a summary of significant accounting policies.

A23. When the auditor is aware that the audited financial statements will be included in a document that contains other information, such as an annual report, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the audited financial statements are presented. This helps users to identify the financial statements to which the auditor's report relates.

"Present fairly, in all material respects" or "give a true and fair view"

A24. The phrases "present fairly, in all material respects," and "give a true and fair view" are regarded as being equivalent. Whether the phrase "present fairly, in all material respects," or the phrase "give a true and fair view" is used is determined by the law or regulation governing the audit of financial statements, or by generally accepted practice. Where law or regulation requires the use of different wording, this does not affect the requirement in paragraph 14 of this ISA (NZ) for the auditor to evaluate the fair presentation of financial statements prepared in accordance with a fair presentation framework.

A25. When the auditor expresses an unmodified opinion, it is not appropriate to use phrases such as "with the foregoing explanation" or "subject to" in relation to the opinion, as these suggest a conditional opinion or a weakening or modification of opinion.

Description of the financial statements and the matters they present

A26. The auditor's opinion covers the complete set of financial statements as defined by the applicable financial reporting framework. For example, in the case of many general purpose frameworks, the financial statements may include: a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a

statement of cash flows, and related notes, which ordinarily comprise a summary of significant accounting policies and other explanatory information. In some cases, additional information may also be considered to be an integral part of the financial statements.

- A27. In the case of financial statements prepared in accordance with a fair presentation framework, the auditor’s opinion states that the financial statements present fairly, in all material respects, or give a true and fair view of, the matters that the financial statements are designed to present. For example, in the case of financial statements prepared in accordance with NZ IFRS, these matters are *the financial position of the entity as at the end of the period and the entity’s financial performance and cash flows for the period then ended*. Consequently, the [...] in paragraph 25 and elsewhere in this ISA (NZ) is intended to be replaced by the words in italics in the preceding sentence when the applicable financial reporting framework is NZ IFRS or, in the case of other applicable financial reporting frameworks, be replaced with words that describe the matters that the financial statements are designed to present.

Description of the applicable financial reporting framework and how it may affect the auditor’s opinion

- A28. The identification of the applicable financial reporting framework in the auditor’s opinion is intended to advise users of the auditor’s report of the context in which the auditor’s opinion is expressed; it is not intended to limit the evaluation required in paragraph 14. The applicable financial reporting framework is identified in such terms as:

“... in accordance with International Financial Reporting Standards” or

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

- NZA28.1 Examples of applicable financial reporting requirements in New Zealand (and which are issued by the New Zealand Accounting Standards Board) are the following:

“... in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS)”;

“... in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR)”;

“... in accordance with Public Benefit Entity Standards (PBE Standards)”;

“... in accordance with Public Benefit Entity Standards Reduced Disclosure Regime (PBE Standards RDR)”;

“... in accordance with Reporting Requirements for Tier 3 Public Sector Entities (Tier 3 (PS) Standard)”;

“... in accordance with Reporting Requirements for Tier 3 Not-for-Profit Entities (Tier 3 (NFP) Standard)”;

“... in accordance with Reporting Requirements for Tier 4 Public Sector Entities (Tier 4 (PS) Standard)”;

“... in accordance with Reporting Requirements for Tier 4 Not-for-Profit Entities (Tier 4 (NFP) Standard) ”.

- A29. 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.” ISA (NZ) 210 deals with circumstances where there are conflicts between the financial reporting standards and the legislative or regulatory requirements.²⁹
- A30. As indicated in paragraph A13, the financial statements may be prepared in accordance with two financial reporting frameworks, which are therefore both applicable financial reporting frameworks. Accordingly, each framework is considered separately when forming the auditor’s opinion on the financial statements, and the auditor’s opinion in accordance with paragraphs 25–27 refers to both frameworks as follows:
- (a) If the financial statements comply with each of the frameworks individually, two opinions are expressed: that is, that the financial statements are prepared in accordance with one of the applicable financial reporting frameworks (e.g., NZ IFRS) and an opinion that the financial statements are prepared in accordance with the other applicable financial reporting framework (e.g., IFRSs). These opinions may be expressed separately or in a single sentence (e.g., the financial statements are presented fairly, in all material respects [...], in accordance with NZ IFRS and with IFRSs).
 - (b) If the financial statements comply with one of the frameworks but fail to comply with the other framework, an unmodified opinion can be given that the financial statements are prepared in accordance with the one framework (e.g., IFRSs) but a modified opinion given with regard to the other framework (e.g., NZ IFRS) in accordance with ISA (NZ) 705 (Revised).
- A31. As indicated in paragraph A15, the financial statements may represent compliance with the applicable financial reporting framework and, in addition, disclose the extent of compliance with another financial reporting framework. Such supplementary information is covered by the auditor’s opinion if it cannot be clearly differentiated from the financial statements (see paragraphs 53–54 and related application material in paragraphs A78–A84). Accordingly,
- (a) If the disclosure as to the compliance with the other framework is misleading, a modified opinion is expressed in accordance with ISA (NZ) 705 (Revised).
 - (b) If the disclosure is not misleading, but the auditor judges it to be of such importance that it is fundamental to the users’ understanding of the financial statements, an Emphasis of Matter paragraph is added in accordance with ISA (NZ) 706 (Revised), drawing attention to the disclosure.

Basis for Opinion (Ref: Para. 28)

- A32. The Basis for Opinion section provides important context about the auditor’s opinion. Accordingly, this ISA (NZ) requires the Basis for Opinion section to directly follow the Opinion section in the auditor’s report.

²⁹ ISA (NZ) 210, paragraph 18

A33. The reference to the standards used conveys to the users of the auditor's report that the audit has been conducted in accordance with established standards.

Relevant ethical requirements (Ref: Para 28 (c))

A34. The identification of the jurisdiction of origin of relevant ethical requirements increases transparency about those requirements relating to the particular audit engagement. ISA (NZ) 200 explains that relevant ethical requirements ordinarily comprise Professional and Ethical Standard 1.³⁰ When the relevant ethical requirements include those of the IESBA Code, the statement may also make reference to the IESBA Code.

A35. In some cases, relevant ethical requirements may exist in several different sources, such as the ethical code(s) and additional rules and requirements within law and regulation. When the independence and other relevant ethical requirements are contained in a limited number of sources, the auditor may choose to name the relevant source(s) (e.g., the name of the code, rule or regulation applicable), or may refer to a term that is commonly understood and that appropriately summarises those sources (e.g., independence requirements for audits of private entities in Jurisdiction X).

A35A. Relevant ethical requirements may:

- Establish independence requirements that are specific to audits of financial statements of certain entities specified in the relevant ethical requirements, such as the independence requirements for audits of financial statements of public interest entities in Professional and Ethical Standard 1. Relevant ethical requirements may also require or encourage the auditor to determine whether it is appropriate to apply such independence requirements to audits of financial statements of entities other than those entities specified in the relevant ethical requirements.
- Require the auditor to publicly disclose when the auditor applied independence requirements specific to audits of financial statements of certain entities. For example, Professional and Ethical Standard 1 requires that when a firm has applied the independence requirements for public interest entities in performing an audit of the financial statements of an entity, the firm publicly disclose that fact, unless making such disclosure would result in disclosing confidential future plans of the entity.³¹

ISA (NZ) 260 (Revised) sets out requirements and guidance about the auditor's communication with those charged with governance, which includes communications for these cases.³²

A36. Law or regulation, or the terms of an audit engagement may require the auditor to provide in the auditor's report more specific information about the sources of the relevant ethical requirements, including those related to independence that applied to the audit of the financial statements.

³⁰ ISA (NZ) 200, paragraph A17

³¹ Professional and Ethical Standard 1, paragraphs R400.25-R400.26

³² ISA (NZ) 260 (Revised), paragraph 16A and A29

A37. In determining the appropriate amount of information to include in the auditor's report when there are multiple sources of relevant ethical requirements relating to the audit of the financial statements, an important consideration is balancing transparency against the risk of obscuring other useful information in the auditor's report.

Considerations specific to group audits

A38. In group audits for which there are multiple sources of relevant ethical requirements, including those pertaining to independence, the reference in the auditor's report to the jurisdiction ordinarily relates to the relevant ethical requirements that are applicable to the group auditor. This is because, in a group audit, component auditors are also subject to ethical requirements that are relevant to the group audit.³³

A39. The ISAs (NZ) do not establish specific independence or ethical requirements for auditors, including component auditors, and thus do not extend, or otherwise override, the independence requirements of the Professional and Ethical Standard 1 or other ethical requirements to which the group auditor is subject, nor do the ISAs (NZ) require that the component auditor in all cases to be subject to the same specific independence requirements that are applicable to the group auditor. As a result, relevant ethical requirements, including those pertaining to independence, in a group audit situation may be complex. ISA (NZ) 600 (Revised)³⁴ provides guidance for auditors in performing work on the financial information of a component for a group audit, including those situations where the component auditor does not meet the independence requirements that are relevant to the group audit.

Key Audit Matters (Ref: Para. 30)

A40. [Amended by the NZAuASB].

NZA40.1 Law or regulation may require communication of key audit matters for audits of entities other than FMC reporting entities considered to have a higher level of public accountability, for example, entities characterised in such law or regulation as public interest entities.

A41. The auditor may also decide to communicate key audit matters for other entities, including those that may be of significant public interest, for example because they have a large number and wide range of stakeholders and considering the nature and size of the business. Examples of such entities may include financial institutions (such as banks, insurance companies, and pension funds), and other entities such as charities.

A42. [Amended by the NZAuASB].

NZA42.1 ISA (NZ) 210 requires the auditor to agree the terms of the audit engagement with those charged with governance and explains that the roles of management and those charged with governance in agreeing the terms of the audit engagement for the entity depend on the governance arrangements of the entity and relevant law or regulation.³⁵ ISA (NZ) 210 also

³³ ISA (NZ) 600 (Revised), paragraphs A56–A57, A66–A68

³⁴ ISA (NZ) 600 (Revised), paragraphs 25, 27

³⁵ ISA (NZ) 210, paragraphs 9 and A22

requires the audit engagement letter or other suitable form of written agreement to include reference to the expected form and content of any reports to be issued by the auditor.³⁶ When the auditor is not otherwise required to communicate key audit matters, ISA (NZ) 210³⁷ explains that it may be helpful for the auditor to make reference in the terms of the audit engagement to the possibility of communicating key audit matters in the auditor's report and it may be necessary for the auditor to include a reference to such possibility in order to retain the ability to do so.

Considerations specific to public sector entities

A43. [Amended by the NZAuASB].

NZA43.1 FMC reporting entities considered to have a higher level of public accountability are not common in the public sector. However, public sector entities may be significant due to size, complexity or public interest aspects. In such cases, an auditor of a public sector entity may be required by law or regulation or may otherwise decide to communicate key audit matters in the auditor's report.

Responsibilities for the Financial Statements (Ref: Para. 33–34)

A44. [Amended by the NZAuASB].

NZA44.1 ISA (NZ) 200 explains the premise, relating to the responsibilities of management and, where appropriate, those charged with governance, on which an audit in accordance with ISAs (NZ) is conducted.³⁸ Management and, where appropriate, those charged with governance accept responsibility for the preparation of the financial statements in accordance with the applicable financial reporting framework, including, where relevant, their fair presentation. Management also accepts responsibility for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The description of the responsibilities of those charged with governance in the auditor's report includes reference to both responsibilities as it helps to explain to users the premise on which an audit is conducted. ISA (NZ) 260 (Revised) uses the term those charged with governance to describe the person(s) or organisation(s) with responsibility for overseeing the entity, and provides a discussion about the diversity of governance structures across jurisdictions and by entity.

A45. There may be circumstances when it is appropriate for the auditor to add to the descriptions of the responsibilities of management and those charged with governance in paragraphs 34–35 to reflect additional responsibilities that are relevant to the preparation of the financial statements in the context of the nature of the entity.

A46. [Amended by the NZAuASB].

³⁶ ISA (NZ) 210, paragraph 10

³⁷ ISA (NZ) 210, paragraph A25

³⁸ ISA (NZ) 200, paragraph 13(j)

NZA46.1 ISA (NZ) 210 requires the auditor to agree the responsibilities of those charged with governance in an engagement letter or other suitable form of written agreement.³⁹ ISA (NZ) 210 provides some flexibility in doing so, by explaining that, if law or regulation prescribes the responsibilities of management and, where appropriate, those charged with governance in relation to financial reporting, the auditor may determine that the law or regulation includes responsibilities that, in the auditor's judgement, are equivalent in effect to those set out in ISA (NZ) 210. For such responsibilities that are equivalent, the auditor may use the wording of the law or regulation to describe them in the engagement letter or other suitable form of written agreement. In such cases, this wording may also be used in the auditor's report to describe the responsibilities as required by paragraph 34(a) of this ISA (NZ). In other circumstances, including where the auditor decides not to use the wording of law or regulation as incorporated in the engagement letter, the wording in paragraph 34(a) of this ISA (NZ) is used. In addition to including the description of the responsibilities of those charged with governance in the auditor's report as required by paragraph 34, the auditor may refer to a more detailed description of these responsibilities by including a reference to where such information may be obtained (e.g., in the annual report of the entity or a website of an appropriate authority).

A47. [Amended by the NZAuASB].

NZA47.1 Law or regulation prescribing the responsibilities of those charged with governance may specifically refer to a responsibility for the adequacy of accounting books and records, or accounting system. As books, records and systems are an integral part of an entity's system of internal control, the descriptions in ISA (NZ) 210 and in paragraph 34 do not make specific reference to them.

A48. The Appendix to this ISA (NZ) provides illustrations of how the requirement in paragraph 34(b) would be applied identifying the applicable financial reporting framework. If an applicable financial reporting framework other than those illustrated is used, the illustrative statements featured in the Appendix to this ISA (NZ) may need to be adapted to reflect the application of the other financial reporting framework in the circumstances.

Oversight of the financial reporting process (Ref: Para. 35)

A49. When some, but not all, of the individuals involved in the oversight of the financial reporting process are also involved in preparing the financial statements, the description as required by paragraph 35 of this ISA (NZ) may need to be modified to appropriately reflect the particular circumstances of the entity. When individuals responsible for the oversight of the financial reporting process are the same as those responsible for the preparation of the financial statements, no reference to oversight responsibilities is required.

Auditor's Responsibilities for the Audit of the Financial Statements (Ref: Para. 37–40)

A50. The description of the auditor's responsibilities as required by paragraphs 37–40 of this ISA (NZ) may be tailored to reflect the specific nature of the entity, for example, when the auditor's report addresses consolidated financial statements. Illustration 2 in the Appendix to this ISA (NZ) includes an example of how this may be done.

³⁹ ISA (NZ) 210, paragraph 6(b)(i)–(ii)

Objectives of the auditor (Ref: Para. 38(a))

A51. The auditor's report explains that the objectives of the auditor are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes the auditor's opinion. These are in contrast to management's responsibilities for the preparation for the financial statements.

Description of materiality (Ref: Para. 38(c))

A52. The Appendix to this ISA (NZ) provides illustrations of how the requirement in paragraph 38(c), to provide a description of materiality, would be applied identifying the applicable financial reporting framework. If an applicable financial reporting framework other than NZ IFRS is used, the illustrative statements presented in the Appendix to this ISA (NZ) may need to be adapted to reflect the application of the other financial reporting framework in the circumstances.

Auditor's responsibilities relating to ISA (NZ) 701 (Ref: Para. 40(c))

A53. The auditor may also consider it useful to provide additional information in the description of the auditor's responsibilities beyond what is required by paragraph 40(c). For example, the auditor may make reference to the requirement in paragraph 9 of ISA (NZ) 701 to determine the matters that required significant auditor attention in performing the audit, taking into account areas of higher assessed risk of material misstatement or significant risks identified in accordance with ISA (NZ) 315 (Revised 2019); significant auditor judgements relating to areas in the financial statements that involved significant management judgement, including accounting estimates that have been identified as having high estimation uncertainty; and the effects on the audit of significant events or transactions that occurred during the period.

Location of the description of the auditor's responsibilities for the audit of the financial statements (Ref: Para. 41, 50(k))

A54. Including the information required by paragraphs 39–40 of this ISA (NZ) in an appendix to the auditor's report or, when law, regulation or ISAs (NZ) expressly permit, referring to a website of an appropriate authority containing such information may be a useful way of streamlining the content of the auditor's report. However, because the description of the auditor's responsibilities contains information that is necessary to inform users' expectations of an audit conducted in accordance with ISAs (NZ), a reference is required to be included in the auditor's report indicating where such information can be accessed.

Location in an appendix (Ref: Para. 41(b), 50(k))

A55. Paragraph 41 permits the auditor to include the statements required by paragraphs 39–40 describing the auditor's responsibilities for the audit of the financial statements in an appendix to the auditor's report, provided that appropriate reference is made within the body of the auditor's report to the location of the appendix. The following is an illustration of how such a reference to an appendix could be made in the auditor's report:

Auditor’s Responsibilities for the Audit of the Financial Statements

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

A further description of our responsibilities for the audit of the financial statements is included in appendix X of this auditor’s report. This description, which is located at [*indicate page number or other specific reference to the location of the description*], forms part of our auditor’s report.

Reference to a website of an appropriate authority (Ref: Para. 41(c), 42)

- A56. Paragraph 41 explains that the auditor may refer to a description of the auditor’s responsibilities located on a website of an appropriate authority, only if expressly permitted by law, regulation or ISAs (NZ). The information on the website that is incorporated in the auditor’s report by way of a specific reference to the website location where such information can be found may describe the auditor’s work, or the audit in accordance with ISAs (NZ) more broadly, but it cannot be inconsistent with the description required in paragraphs 39–40 of this ISA (NZ). This means that the wording of the description of the auditor’s responsibilities on the website may be more detailed, or may address other matters relating to an audit of financial statements, provided that such wording reflects and does not contradict the matters addressed in paragraphs 39–40.
- A57. An appropriate authority could be the External Reporting Board, a regulator, or an audit oversight body. Such organisations are well-placed to ensure the accuracy, completeness and continued availability of the standardised information. It would not be appropriate for the auditor to maintain such a website. The following is an illustration of how such a reference to a website could be made in the auditor’s report:

Auditor’s Responsibilities for the Audit of the Financial Statements

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

A further description of our responsibilities for the audit of the financial statements is located at [*Organisation’s*] website at: [*website address*]. This

description forms part of our auditor’s report.

NZ A57.1 When the auditor refers to a description of the auditor’s responsibilities on a website, the appropriate authority is the External Reporting Board and the website address is [https://xrb.govt.nz/Site/Auditing Assurance Standards/Current Standards/Description Auditors responsibilities.aspx](https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Description_Auditors_responsibilities.aspx)⁴⁰.

Other Reporting Responsibilities (Ref: Para. 43–45)

A58. In some engagements, the auditor may have additional responsibilities to report on other matters that are supplementary to the auditor’s responsibilities under the ISAs (NZ). For example, the auditor may be asked to report certain matters if they come to the auditor’s attention during the course of the audit of the financial statements. Alternatively, the auditor may be asked to perform and report on additional specified procedures, or to express an opinion on specific matters, such as the adequacy of accounting books and records, internal control over financial reporting or other information. Auditing standards often provide guidance on the auditor’s responsibilities with respect to specific additional reporting responsibilities.

A59. In some cases, the relevant law or regulation may require or permit the auditor to report on these other responsibilities as part of their auditor’s report on the financial statements. In other cases, the auditor may be required or permitted to report on them in a separate report.

A60. Paragraphs 43–45 of this ISA (NZ) permit combined presentation of other reporting responsibilities and the auditor’s responsibilities under the ISAs (NZ) only when they address the same topics and the wording of the auditor’s report clearly differentiates the other reporting responsibilities from those under the ISAs (NZ). Such clear differentiation may make it necessary for the auditor’s report to refer to the source of the other reporting responsibilities and to state that such responsibilities are beyond those required under the ISAs (NZ). Otherwise, other reporting responsibilities are required to be addressed in a separate section in the auditor’s report with a heading “Report on Other Legal and Regulatory Requirements,” or otherwise as appropriate to the content of the section. In such cases, paragraph 45 requires the auditor to include reporting responsibilities under the ISAs (NZ) under a heading titled “Report on the Audit of the Financial Statements.”

Name of the Engagement Partner (Ref: Para. 46)

A61. [Amended by the NZAuASB].

NZA61.1 The objective of the firm in Professional and Ethical Standard 3⁴¹ is to design, implement and operate a system of quality management that provides the firm with reasonable assurance that :

- The firm and its personnel fulfill their responsibilities in accordance with standards issued by the External Reporting Board or the New Zealand Auditing and Assurance

⁴⁰ The auditor’s report should refer to the specific webpage that applies to the auditor’s responsibilities applicable in the context of the engagement.

⁴¹ Professional and Ethical Standard 3, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, paragraph 14

Standards Board and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and

- Engagement reports issued by the firm or engagement partners are appropriate in the circumstances.

Notwithstanding the objective of Professional and Ethical Standard 3, naming the engagement partner in the auditor's report is intended to provide further transparency to the users of the auditor's report on financial statements of a FMC reporting entity considered to have a higher level of public accountability.

A62. [Amended by the NZAuASB].

NZA62.1 Law, regulation or ISAs (NZ) may require that the auditors' report include the name of the engagement partner responsible for audits other than those of financial statements of FMC reporting entities considered to have a higher level of public accountability. The auditor may be required by law or regulation, or may decide to include additional information beyond the engagement partner's name in the auditor's report to further identify the engagement partner, for example, the engagement partner's professional license number that is relevant to where the auditor practices.

A63. In rare circumstances, the auditor may identify information or be subject to experiences that indicate the likelihood of a personal security threat that, if the identity of the engagement partner is made public, may result in physical harm to the engagement partner, other engagement team members or other closely related individuals. However, such a threat does not include, for example, threats of legal liability or legal, regulatory or professional sanctions. Discussions with those charged with governance about circumstances that may result in physical harm may provide additional information about the likelihood or severity of the significant personal security threat. Law or regulation may establish further requirements that are relevant to determining whether the disclosure of the name of the engagement partner may be omitted.

Signature of the Auditor (Ref: Para. 47)

A64. The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate. In addition to the auditor's signature, the auditor may be required to declare in the auditor's report the auditor's professional accountancy designation or the fact that the auditor or firm, as appropriate, has been recognised by the appropriate licensing authority.

A65. In some cases, law or regulation may allow for the use of electronic signatures in the auditor's report.

Date of the Auditor's Report (Ref: Para. 49)

A66. The date of the auditor's report informs the user of the auditor's report that the auditor has considered the effect of events and transactions of which the auditor became aware and that occurred up to that date. The auditor's responsibility for events and transactions after the date of the auditor's report is addressed in ISA (NZ) 560.⁴²

⁴² ISA (NZ) 560, *Subsequent Events*, paragraphs 10–17

- A67. Since the auditor’s opinion is provided on the financial statements and the financial statements are the responsibility of management, the auditor is not in a position to conclude that sufficient appropriate audit evidence has been obtained until evidence is obtained that all the statements and disclosures that comprise the financial statements have been prepared and management has accepted responsibility for them.
- A68. For some engagements, law or regulation identifies the individuals or bodies (e.g., the directors) that are responsible for concluding that all the statements and disclosures that comprise the financial statements 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. For other engagements, 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 identifies the point in the financial statement reporting process at which the audit is expected to be complete.
- A69. For some engagements, final approval of the financial statements by shareholders is required before the financial statements are issued publicly. For these engagements, final approval by shareholders is not necessary for the auditor to conclude that sufficient appropriate audit evidence has been obtained. The date of approval of the financial statements for purposes of ISAs (NZ) is the earlier date on which those with the recognised authority determine that all the statements and disclosures that comprise the financial statements have been prepared and that those with the recognised authority have asserted that they have taken responsibility for them.

Auditor’s Report Prescribed by Law or Regulation (Ref: Para. 50)

- A70. ISA (NZ) 200 explains that the auditor may be required to comply with legal or regulatory requirements in addition to ISAs (NZ).⁴³ When the differences between the legal or regulatory requirements and ISAs (NZ) relate only to the layout and wording of the auditor’s report, the requirements in paragraph 50(a)–(o) set out the minimum elements to be included in the auditor’s report to enable a reference to the International Standards on Auditing (New Zealand). In those circumstances, the requirements in paragraphs 21–49 that are not included in paragraph 50(a)–(o) do not need to be applied including, for example, the required ordering of the Opinion and Basis for Opinion sections.
- A71. Where specific requirements in law or regulation do not conflict with ISAs (NZ), the layout and wording required by paragraphs 21–49 of this ISA (NZ) assist users of the auditor’s report in more readily recognising the auditor’s report as a report of an audit conducted in accordance with ISAs (NZ).

Information Required by ISA (NZ) 701 (Ref: Para. 50(h))

- A72. Law or regulation may require the auditor to provide additional information about the audit that was performed, which may include information that is consistent with the objectives

⁴³ ISA (NZ) 200, paragraph A60

of ISA (NZ) 701, or may prescribe the nature and extent of communication about such matters.

A73. The ISAs (NZ) do not override law or regulation that governs an audit of financial statements. When ISA (NZ) 701 is applicable, reference can only be made to ISAs (NZ) in the auditor's report if, in applying the law or regulation, the section required by paragraph 50(h) of this ISA (NZ) is not inconsistent with the reporting requirements in ISA (NZ) 701. In such circumstances, the auditor may need to tailor certain aspects of the communication of key audit matters in the auditor's report required by ISA (NZ) 701, for example by:

- Modifying the heading "Key Audit Matters", if law or regulation prescribes a specific heading;
- Explaining why the information required by law or regulation is being provided in the auditor's report, for example by making a reference to the relevant law or regulation and describing how that information relates to the key audit matters;
- Where law or regulation prescribes the nature and extent of the description, supplementing the prescribed information to achieve an overall description of each key audit matter that is consistent with the requirement in paragraph 13 of ISA (NZ) 701.

A74. ISA (NZ) 210 deals with circumstances where law or regulation prescribes the layout or wording of the auditor's report in terms that are significantly different from the requirements of ISAs (NZ), which in particular includes the auditor's opinion. In these circumstances, ISA (NZ) 210 requires the auditor to evaluate:

- (a) Whether users might misunderstand the assurance obtained from the audit of the financial statements and, if so,
- (b) Whether additional explanation in the auditor's report can mitigate possible misunderstanding.

If the auditor concludes that additional explanation in the auditor's report cannot mitigate possible misunderstanding, ISA (NZ) 210 requires the auditor not to accept the audit engagement, unless required by law or regulation to do so. In accordance with ISA (NZ) 210, an audit conducted in accordance with such law or regulation does not comply with ISAs (NZ). Accordingly, the auditor does not include any reference in the auditor's report to the audit having been conducted in accordance with International Standards on Auditing (New Zealand).⁴⁴

Considerations specific to public sector entities

A75. Auditors of public sector entities may also have the ability pursuant to law or regulation to report publicly on certain matters, either in the auditor's report or in a supplementary report, which may include information that is consistent with the objectives of ISA (NZ) 701. In such circumstances, the auditor may need to tailor certain aspects of the communication of key audit matters in the auditor's report required by ISA (NZ) 701 or

⁴⁴ ISA (NZ) 210, paragraph 21

include a reference in the auditor's report to a description of the matter in the supplementary report.

Auditor's Report for Audits Conducted in Accordance with Both New Zealand Auditing Standards and International Standards on Auditing (Ref: Para. 51)

- A76. The auditor may refer in the auditor's report to the audit having been conducted in accordance with both International Standards on Auditing as well as the New Zealand auditing standards when the auditor complies with each of the ISAs (NZ) relevant to the audit.⁴⁵
- A77. A reference to both International Standards on Auditing and the national auditing standards is not appropriate if there is a conflict between the requirements in ISAs and those in the national auditing standards that would lead the auditor to form a different opinion or not to include an Emphasis of Matter or Other Matter paragraph that, in the particular circumstances, is required by ISAs. In such a case, the auditor's report refers only to the auditing standards (either International Standards on Auditing or the national auditing standards) in accordance with which the auditor's report has been prepared.

Supplementary Information Presented with the Financial Statements (Ref: Para. 53–54)

- A78. In some circumstances, the entity may be required by law or regulation, or may voluntarily choose, to present together with the financial statements supplementary information that is not required by the applicable financial reporting framework. For example, supplementary information might be presented to enhance a user's understanding of the applicable financial reporting framework or to provide further explanation of specific financial statement items. Such information is normally presented in either supplementary schedules or as additional notes.
- A79. Paragraph 53 of this ISA (NZ) explains that the auditor's opinion covers supplementary information that is an integral part of the financial statements because of its nature or how it is presented. This evaluation is a matter of professional judgement. To illustrate:
- When the notes to the financial statements include an explanation or the reconciliation of the extent to which the financial statements comply with another financial reporting framework, the auditor may consider this to be supplementary information that cannot be clearly differentiated from the financial statements. The auditor's opinion would also cover notes or supplementary schedules that are cross-referenced from the financial statements.
 - When an additional profit and loss account that discloses specific items of expenditure is disclosed as a separate schedule included as an Appendix to the financial statements, the auditor may consider this to be supplementary information that can be clearly differentiated from the financial statements.
- A80. Supplementary information that is covered by the auditor's opinion does not need to be specifically referred to in the auditor's report when the reference to the notes in the

⁴⁵ ISA (NZ) 200, paragraph A61

description of the statements that comprise the financial statements in the auditor's report is sufficient.

- A81. Law or regulation may not require that the supplementary information be audited, and management may decide to ask the auditor not to include the supplementary information within the scope of the audit of the financial statements.
- A82. The auditor's evaluation whether unaudited supplementary information is presented in a manner that could be construed as being covered by the auditor's opinion includes, for example, where that information is presented in relation to the financial statements and any audited supplementary information, and whether it is clearly labelled as "unaudited."
- A83. Management could change the presentation of unaudited supplementary information that could be construed as being covered by the auditor's opinion, for example, by:
- Removing any cross-references from the financial statements to unaudited supplementary schedules or unaudited notes so that the demarcation between the audited and unaudited information is sufficiently clear.
 - Placing the unaudited supplementary information outside of the financial statements or, if that is not possible in the circumstances, at a minimum placing the unaudited notes together at the end of the required notes to the financial statements and clearly labelling them as unaudited. Unaudited notes that are intermingled with the audited notes can be misinterpreted as being audited.
- A84. The fact that supplementary information is unaudited does not relieve the auditor of the responsibilities described in ISA (NZ) 720 (Revised).⁴⁶

⁴⁶ ISA (NZ) 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

Appendix

(Ref: Para. A19)

Illustrations of Independent Auditor's Reports on Financial Statements

- [NZ] Illustration 1: An auditor's report on financial statements of a FMC reporting entity considered to have a higher level of public accountability prepared in accordance with a fair presentation framework (for example, NZ IFRS).
- [NZ] Illustration 2: An auditor's report on consolidated financial statements of a FMC reporting entity considered to have a higher level of public accountability prepared in accordance with a fair presentation framework (for example, NZ IFRS).
- [NZ] Illustration 3: An auditor's report on financial statements of a public benefit entity that is not a FMC reporting entity considered to have a higher level of public accountability prepared in accordance with a fair presentation framework (for example, Public Benefit Entity Standards) (where reference is made to material that is located on a website of the External Reporting Board).
- [NZ] Illustration 4: An auditor's report on financial statements of an entity other than a FMC reporting entity considered to have a higher level of public accountability prepared in accordance with a general purpose compliance framework.

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

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

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

INDEPENDENT AUDITOR’S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Financial Statements¹

Opinion

We have audited the financial statements of ABC Company (the Company), which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income,

¹ The sub-title “Report on the Audit of the Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, (or *give a true and fair view of*) the financial position of the Company as at December 31, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

Basis for Opinion

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[Description of each key audit matter in accordance with ISA (NZ) 701.]

Other Information [or another title if appropriate such as "Information other than the financial statements and auditor's report thereon"]

[Reporting in accordance with the reporting requirements in ISA (NZ) 720 (Revised – see Illustration 1 in Appendix 2 of ISA (NZ) 720 (Revised).]

Directors' Responsibilities for the Financial Statements²

The directors are responsible on behalf of the Company for the preparation and fair presentation of the financial statements in accordance with NZ IFRS,³ and for such internal control as the

² The term directors may need to be replaced by another term that is appropriate in the context of the legal framework for the entity.

³ Where the directors' responsibility is to prepare financial statements that give a true and fair view, this may read: "The directors are responsible on behalf of the Company 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 ..."

directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible on behalf of the Company for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.⁴
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists

⁴ This sentence would be modified, as appropriate, in circumstances when the auditor also has a responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements.

related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

[The form and content of this section of the auditor's report would vary depending on the nature of the auditor's other reporting responsibilities prescribed by local law or regulation. The matters addressed by other law or regulation (referred to as "other reporting responsibilities") shall be addressed within this section unless the other reporting responsibilities address the same topics as those presented under the reporting responsibilities required by the ISAs (NZ) as part of the Report on the Audit of the Financial Statements section. The reporting of other reporting responsibilities that address the same topics as those required by the ISAs (NZ) may be combined (i.e., included in the Report on the Audit of the Financial Statements section under the appropriate subheadings) provided that the wording in the auditor's report clearly differentiates the other reporting responsibilities from the reporting that is required by the ISAs (NZ) where such a difference exists.]

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

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

[Auditor Address]

[Date]

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

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

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

INDEPENDENT AUDITOR’S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Consolidated Financial Statements⁵

Opinion

We have audited the consolidated financial statements of ABC Company and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 20X1, and the consolidated statement of comprehensive income, consolidated statement of changes in equity

⁵ The sub-title “Report on the Audit of the Consolidated Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, (or *give a true and fair view of*) the consolidated financial position of the Group as at December 31, 20X1, and (of) its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

Basis for Opinion

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[Description of each key audit matter in accordance with ISA (NZ) 701.]

Other Information [or another title if appropriate such as “Information other than the consolidated financial statements and auditor’s report thereon”]

[Reporting in accordance with the reporting requirements in ISA (NZ) 720 (Revised) – see Illustration 1 in Appendix 2 of ISA (NZ) 720 (Revised).]

Directors’ Responsibilities for the Consolidated Financial Statements⁶

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS,⁷ and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial

⁶ Or other terms that are appropriate in the context of the legal framework for the entity.

⁷ Where the directors’ responsibility is to prepare financial statements that give a true and fair view, this may read: “The directors are responsible on behalf of the Group 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 ...”

statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.⁸
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the

⁸ This sentence would be modified, as appropriate, in circumstances when the auditor also has a responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the consolidated financial statements.

directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

[The form and content of this section of the auditor's report would vary depending on the nature of the auditor's other reporting responsibilities prescribed by local law or regulation. The matters addressed by other law or regulation (referred to as "other reporting responsibilities") shall be addressed within this section unless the other reporting responsibilities address the same topics as those presented under the reporting responsibilities required by the ISAs (NZ) as part of the Report on the Audit of the Consolidated Financial Statements section. The reporting of other reporting responsibilities that address the same topics as those required by the ISAs (NZ) may be combined (i.e., included in the Report on the Audit of the Consolidated Financial Statements section under the appropriate subheadings) provided that the wording in the auditor's report clearly differentiates the other reporting responsibilities from the reporting that is required by the ISAs (NZ) where such a difference exists.]

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

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

[Auditor Address]

[Date]

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

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

- Audit of a complete set of financial statements of a public benefit entity that is not a FMC reporting entity considered to have a higher level of public accountability using a fair presentation framework. The audit is not a group audit (i.e., ISA (NZ) 600 (Revised) does not apply).
- The financial statements are prepared by management of the entity in accordance with Public Benefit Entity Standards⁹ (a general purpose framework).
- The terms of the audit engagement reflect the description of the responsibilities of those charged with governance for the financial statements in ISA (NZ) 210.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* comprises all of the relevant ethical requirements that apply to the audit.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with ISA (NZ) 570 (Revised).
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA (NZ) 701.
- The auditor has obtained all of the other information prior to the date of the auditor’s report and has not identified a material misstatement of the other information.
- The auditor has no other reporting responsibilities required under local law.
- The auditor elects to refer to the description of the auditor’s responsibility included on the website of the XRB.

INDEPENDENT AUDITOR’S REPORT

To Appropriate Addressee

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- ⁹ The use of Public Benefit Entity Standards is used for the purposes of illustration. The appropriate financial reporting standards to be applied by an entity will be determined by the tier structure established in XRB A1 *Application of the Accounting Standards Framework*. The Auditor’s Report would identify one of the following:
- New Zealand equivalents to International Financial Reporting Standards. (This may also include compliance with International Financial Reporting Standards)
 - New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime
 - Public Benefit Entity Standards
 - Public Benefit Entity Standards Reduced Disclosure Regime
 - Reporting Requirements for Tier 3 Public Sector Entities (Tier 3 (PS) Standard)
 - Reporting Requirements for Tier 3 Not-for-Profit Entities (Tier 3 (NFP) Standard).

Opinion

We have audited the financial statements of ABC [entity], which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive revenue and expense, statement of changes in net assets/equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, (or *give a true and fair view of*) the financial position of the [entity] as at December 31, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards issued by the New Zealand Accounting Standards Board.

Basis for Opinion

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

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

Other Information [or another title if appropriate such as “Information other than the financial statements and auditor’s report thereon”]

[Reporting in accordance with the reporting requirements in ISA (NZ) 720 (Revised) – see Illustration 1 in Appendix 2 of ISA (NZ) 720 (Revised).]

Responsibilities of Those Charged with Governance for the Financial Statements¹⁰

Those charged with governance are responsible on behalf of the [entity] for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entity Standards,¹¹ and for such internal control as those charged with governance determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, those charged with governance are responsible on behalf of the [entity] for assessing the [entity’s] ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intend to liquidate the [entity] or to cease operations, or have no realistic alternative but to do so.

¹⁰ Or other terms that are appropriate in the context of the legal framework of the entity

¹¹ Where the responsibility of those charged with governance is to prepare financial statements that give a true and fair view, this may read: “Those charged with governance are responsible on behalf of the entity for the preparation of financial statements that give a true and fair view in accordance with Public Benefit Entity Standards, and for such ...”

Auditor's Responsibilities for the Audit of the Financial Statements

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

A further description of the auditor's responsibilities for the audit of the financial statements is located at the XRB's website at https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Description_Auditors_responsibilities.aspx. [*auditor to link to the appropriate webpage containing the applicable description of the auditor's responsibilities for the audit.*] This description forms part of our auditor's report.

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

[*Auditor Address*]

[*Date*]

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

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

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

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Opinion

We have audited the financial statements of ABC Company (the Company), 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company are prepared, in all material respects, in accordance with XYZ Law of Jurisdiction X.

Basis for Opinion

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

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

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

Other Information [or another title if appropriate such as “Information other than the financial statements and auditor’s report thereon”]

[Reporting in accordance with the reporting requirements in ISA (NZ) 720 (Revised) – see Illustration 1 in Appendix 2 of ISA (NZ) 720 (Revised).]

Responsibilities of Those Charged with Governance for the Financial Statements¹²

[Those charged with governance] are responsible on behalf of the Company for the preparation of the financial statements in accordance with XYZ Law of Jurisdiction X, and for such internal control as those charged with governance determine is necessary to enable the preparation of financial statements that is free from material misstatement, whether due to fraud or error.

In preparing the financial statements, those charged with governance are responsible on behalf of the Company for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

¹² Or other terms that are appropriate in the context of the legal framework for the entity.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.¹³
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by those charged with governance and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

[Auditor Address]

[Date]

¹³ This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements.

Existence of any Other Relationship of the Auditor with the Entity

Paragraph NZ 28.1 of this ISA (NZ) requires the auditor of *all* entities to state in the auditor's report the existence of any relationship (other than that of auditor) which the auditor has with, or any interests the auditor has in, the entity or any of its subsidiaries.

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

“Our firm carries out other assignments for the [entity] in the area of taxation advice and special consultancy projects. In addition to this, principals and employees of our firm deal with the [entity] on normal terms within the ordinary course of trading activities of the business of [entity]. The firm has no other relationship with, or interests in, the [entity].

ACCOMPANYING ATTACHMENT: CONFORMITY TO THE INTERNATIONAL STANDARDS ON AUDITING

This conformity statement accompanies but is not part of ISA (NZ) 700 (Revised).

Conformity with International Standards on Auditing

This International Standard on Auditing (New Zealand) (ISA (NZ)) conforms to International Standard on Auditing ISA 700 (Revised) *Forming an Opinion and Reporting on Financial Statements*, issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

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

ISA (NZ) 700 (Revised) includes transitional provisions for the reporting of key audit matters. The auditor of a FMC reporting entity considered to have a higher level of public accountability, other than a listed issuer, is only required to report key audit matters for the audits of financial statements for periods ending on or after 31 December 2018. [Ref: Para NZ5.2]

The following requirements are additional to or have been amended from ISA 700 (Revised):

- In New Zealand, those charged with governance generally have responsibility for ensuring an entity meets its legal obligations in relation to the preparation of the financial statements. In these cases the process of financial reporting is usually delegated to management, but the responsibility for such matters remains with those charged with governance. In applying this standard the auditor shall apply professional judgement, using knowledge of the legal requirements and corporate governance practices of New Zealand as well as the particular engagement circumstances, to determine whether the requirements of this standard apply to management or those charged with governance or both. [Ref: Para. NZ4.1]
- Reference to “New Zealand equivalents to International Financial Reporting Standards (NZ IFRS)” or other applicable financial reporting requirements in this ISA (NZ) means the New Zealand equivalents to International Financial Reporting Standards or other financial reporting requirements issued by the New Zealand Accounting Standards Board. [Ref: Para. NZ9.1]
- For an entity in New Zealand, that is required to apply the New Zealand Accounting Standards Framework, the reference to the applicable financial reporting framework in the auditor’s opinion should be to the applicable financial reporting requirements issued by the New Zealand Accounting Standards Board that apply to the tier under which the entity is reporting. [Ref: Para. NZ27.1]
- In New Zealand, the statement required by paragraph 28(c) shall refer to Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioner* issued by the New Zealand Auditing and Assurance Standards Board. Professional and Ethical Standard 1 (Revised) is at least as restrictive as Parts A and B of the IESBA Code related to an audit of financial statements. [Ref: Para. NZ28(c)]

- The auditor’s report shall include a statement as to the existence of any relationship (other than that of auditor) which the auditor has with, or any interests which the auditor has in, the entity. [NZ] Appendix 2 provides an example of the wording that may be used in the audit of financial statements to identify any relationships with, or interests in, the entity. [Ref: Para. NZ 28.1]
- For audits of complete sets of general purpose financial statements of FMC reporting entities considered to have a higher level of public accountability, the auditor shall communicate key audit matters in the auditor’s report in accordance with ISA (NZ) 701, not just for listed entities as required by ISA 700. [Ref: Para NZ30.1]
- References in the auditor’s report to the responsibilities of management for the preparation of the financial statements have been amended to refer to the responsibilities of those charged with governance in paragraphs NZ 33.1 and NZ 34.1.
- The auditor’s report for all FMC reporting entities considered to have a higher level of public accountability shall state that the auditor provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on the auditor’s independence, and where applicable, related safeguards, not just for listed entities as required by ISA 700. [Ref: Para. NZ40(b)(1)]
- The name of the engagement partner shall be included in the auditor’s report on financial statements for all FMC reporting entities considered to have a higher level of public accountability in New Zealand unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat. ISA 700 only requires this for listed entities. [Ref: Para. NZ 46.1]
- If the auditor is required by law or regulation to use a specific layout in the auditor’s report, the opinion paragraph shall:
 - identify the specific set of standards issued by the New Zealand Accounting Standards Board used to prepare the financial statements. [Ref: Para. NZ50 (c).1]
 - The independence statement in New Zealand shall refer to Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners*. [Ref Para. NZ50(e)(1)].
 - include a description of the responsibilities of those charged with governance rather than for management for the preparation of the financial statements that addresses, and is not inconsistent with, the requirements in paragraphs 33–36. [Ref: Para.NZ50(j)(1)]
 - For audits of complete sets of general purpose financial statements of all FMC reporting entities considered to have a higher level of public accountability not only listed entities, include the name of the engagement partner unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat. [Ref: Para. NZ50(l)(1)]
- Clarification has been added that there are no conflicts between the requirements in the ISAs (NZ) and the ISAs. [Ref: Para. NZ51.1]

The [NZ] illustrative reports have been amended in accordance with these NZ modifications.

This ISA (NZ) incorporates terminology and definitions used in New Zealand.

Compliance with this ISA (NZ) enables compliance with ISA 700 (Revised).

Comparison with Australian Auditing Standards

In Australia, the Australian Auditing and Assurance Standards Board (AUASB) has issued Australian Auditing Standard ASA 700 *Forming and Opinion and Reporting on a Financial Report*.

ASA 700 conforms to ISA 700.

The following requirements are additional to ISA 700 (Revised) and ISA (NZ) 700 (Revised):

- Paragraph Aus 28(c) requires the auditor to identify the relevant ethical requirements applicable within Australia when providing the basis for opinion.
- Paragraph Aus 45.1 requires the name of the engagement partner to be included in the auditor's report where required by law or regulation.
- Paragraph Aus 49(e) requires the auditor to identify the relevant ethical requirements applicable within Australia when using an auditor's report prescribed by law or regulation.
- Paragraph Aus 49(k) requires the name of the engagement partner where required by law or regulation when using an auditor's report prescribed by law or regulation.

The equivalent requirements and related application and other explanatory material included in ISA 700 in respect of "relevant ethical requirements", have been included in Auditing Standard, ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*. There is no international equivalent to ASA 102.