



NZ AUDITING
AND ASSURANCE
STANDARDS BOARD

CONFORMING AMENDMENTS TO INTERNATIONAL STANDARDS ON AUDITING (NEW ZEALAND) AND OTHER PRONOUNCEMENTS

This Standard was issued on 24 November 2016 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 22 December 2016.

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 2017. 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 to reflect conforming amendments resulting from changes made to International Standard on Auditing (New Zealand) 250, which was revised as a result of International Standard on Auditing 250 being revised.

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C: EFFECTIVE DATE

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

A: INTRODUCTION

This standard outlines conforming amendments to the International Standards on Auditing (New Zealand) and other pronouncements as a result of the revisions to ISA (NZ) 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements*, which was revised as a result of International Standard on Auditing 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*, being revised.

These conforming amendments affect the following International Standards on Auditing (New Zealand) and other pronouncements and are arranged in the following manner:

- *ISA (NZ) 210, Agreeing the Terms of Audit Engagements*
- *ISA (NZ) 220, Quality Control for an Audit of Financial Statements*
- *ISA (NZ) 240, The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*
- *ISA (NZ) 260 (Revised), Communication with Those Charged with Governance*
- *ISA (NZ) 450, Evaluation of Misstatements identified during the Audit*
- *ISA (NZ) 500, Audit Evidence*
- *ISRE (NZ) 2400, Engagements to Review Historical Financial Statements*
- *ISAE (NZ) 3000 (Revised), Assurance Engagements other than Audits and Reviews of Historical Financial Information*
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B: CONFORMING AMENDMENTS TO INTERNATIONAL STANDARDS ON AUDITING (NEW ZEALAND) AND OTHER PRONOUNCEMENTS

Amendments to extant International Standards on Auditing (New Zealand) and other pronouncements as shown. New text is underlined and deleted text is struck through.

Note: The footnote numbers within these amendments do not align with the ISAs (NZ) and other pronouncements that are amended, and reference should be made to those ISAs (NZ) and other pronouncements.

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

Application and Other Explanatory Material

Agreement on Audit Engagement Terms

A26. When relevant, the following points could also be made in the audit engagement letter:

- Arrangements concerning the involvement of other auditors and experts in some aspects of the audit.
- Arrangements concerning the involvement of internal auditors and other staff of the entity.
- Arrangements to be made with the predecessor auditor, if any, in the case of an initial audit.
- A reference to, and description of, the auditor's responsibilities under law, regulation or relevant ethical requirements that address reporting identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity.
- Any restriction of the auditor's liability when such possibility exists.
- A reference to any further agreements between the auditor and the entity.
- Any obligations to provide audit working papers to other parties.

An example of an audit engagement letter is set out in Appendix 1.

ISA (NZ) 220, Quality Control for an Audit of Financial Statements

Application and Other Explanatory Material

Acceptance and Continuance of Client Relationships and Audit Engagements (Ref: Para. 12)

A8a. Law, regulation, or relevant ethical requirements¹ may require the auditor to request, prior to accepting the engagement, the predecessor auditor to provide known information regarding any facts or circumstances that, in the predecessor auditor's judgement, the auditor needs to be aware of before deciding whether to accept the engagement. In some circumstances, the predecessor auditor may be required, on request by the proposed successor auditor, to provide information regarding identified or suspected non-compliance with laws and regulations to the proposed successor auditor. For example, where the predecessor auditor has withdrawn from the engagement as a result of identified or suspected non-compliance with laws and regulations, Professional and Ethical Standard 1 (Revised) requires that the predecessor auditor, on request by a proposed successor auditor, provides all such facts and other information concerning such non-compliance that, in the predecessor auditor's opinion, the proposed successor auditor needs to be aware of before deciding whether to accept the audit appointment.^{2*}

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

Introduction

Responsibility for the Prevention and Detection of Fraud

Responsibilities of the Auditor

- 8a. The auditor may have additional responsibilities under law, regulation or relevant ethical requirements regarding an entity's non-compliance with laws and regulations, including fraud, which may differ from or go beyond this and other ISAs (NZ), such as: (Ref: Para. A5a).
- (a) Responding to identified or suspected non-compliance with laws and regulations, including requirements in relation to specific communications with management and those charged with governance, assessing the appropriateness of their response to non-compliance and determining whether further action is needed;
 - (b) Communicating identified or suspected non-compliance with laws and regulations to other auditors (e.g., in an audit of group financial statements); and
 - (c) Documentation requirements regarding identified or suspected non-compliance with laws and regulations.

¹ See, for example, Section 210.14 of Professional and Ethical Standard 1 (Revised).

² See, for example, Section 225.31 of Professional and Ethical Standard 1 (Revised).

* When the conforming amendment becomes effective, this paragraph will become paragraph A9 and all subsequent paragraphs will be renumbered accordingly.

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

Requirements

Communications to Management and with Those Charged with Governance

40. If the auditor has identified a fraud or has obtained information that indicates that a fraud may exist, the auditor shall communicate these matters, unless prohibited by law or regulation, on a timely basis ~~to~~with the appropriate level of management in order to inform those with primary responsibility for the prevention and detection of fraud of matters relevant to their responsibilities. (Ref: Para. A59a-A60)
41. Unless all of those charged with governance are involved in managing the entity, if the auditor has identified or suspects fraud involving:
- (a) management;
 - (b) employees who have significant roles in internal control; or
 - (c) others where the fraud results in a material misstatement in the financial statements,
- the auditor shall communicate these matters ~~to~~with those charged with governance on a timely basis. If the auditor suspects fraud involving management, the auditor shall communicate these suspicions ~~to~~with those charged with governance and discuss with them the nature, timing and extent of audit procedures necessary to complete the audit. Such communications with those charged with governance are required unless the communication is prohibited by law or regulation. (Ref: Para. A59a, A61-A63)
42. The auditor shall communicate, unless prohibited by law or regulation, with those charged with governance any other matters related to fraud that are, in the auditor's judgement, relevant to their responsibilities. (Ref: Para. A59a, A64)

Reporting Fraud to an Appropriate Authority Outside the Entity ~~Communications to Regulatory and Enforcement Authorities~~

43. If the auditor has identified or suspects a fraud, the auditor shall determine whether law, regulation or relevant ethical requirements: ~~there is a responsibility to report the occurrence or suspicion to a party outside the entity. Although the auditor's professional duty to maintain the confidentiality of client information may preclude such reporting, the auditor's legal responsibilities may override the duty of confidentiality in some circumstances.~~ (Ref: Para. A65-A67)
- (a) Require the auditor to report to an appropriate authority outside the entity.
 - (b) Establish responsibilities under which reporting to an appropriate authority outside the entity may be appropriate in the circumstances.

Application and Other Explanatory Material

Responsibility for the Prevention and Detection of Fraud

Responsibilities of the Auditor (Ref: Para. 8a)

A5a Law, regulation or relevant ethical requirements may require the auditor to perform additional procedures and take further actions. For example, Professional and Ethical Standard 1 (Revised), Code of Ethics for Assurance Practitioners, requires the auditor to take steps to respond to identified or suspected non-compliance with laws and regulations and determine whether further action is needed. Such steps may include the communication of identified or suspected non-compliance with laws and regulations to other auditors within a group, including a group engagement partner, component auditors or other auditors performing work at components of a group for purposes other than the audit of the group financial statements.³

Communications to Management and with Those Charged with Governance (Ref: Para. 40-42)

A59a In some jurisdictions, law or regulation may restrict the auditor’s communication of certain matters with management and those charged with governance. Law or regulation may specifically prohibit a communication, or other action, that might prejudice an investigation by an appropriate authority into an actual, or suspected, illegal act, including alerting the entity, for example, when the auditor is required to report the fraud to an appropriate authority pursuant to anti-money laundering legislation. In these circumstances, the issues considered by the auditor may be complex and the auditor may consider it appropriate to obtain legal advice.

Reporting Fraud to an Appropriate Authority outside the Entity **Communications to Regulatory and Enforcement Authorities** (Ref: Para. 43)

A65. ISA (NZ) 250 (Revised)⁴ provides further guidance with respect to the auditor’s determination of whether reporting identified or suspected non-compliance with laws or regulations to an appropriate authority outside the entity is required or appropriate in the circumstances, including consideration of the auditor’s duty of confidentiality. The auditor’s professional duty to maintain the confidentiality of client information may preclude reporting fraud to a party outside the client entity. However, the auditor’s legal responsibilities vary and, in certain circumstances, the duty of confidentiality may be overridden by statute, the law or courts of law. In some cases, the auditor of a financial institution has a statutory duty to report the occurrence of fraud to supervisory authorities. Also, in some cases the auditor has a duty to report misstatements to authorities in those cases where management and those charged with governance fail to take corrective action.

A66. The determination required by paragraph 43 may involve complex considerations and professional judgements. Accordingly, ~~t~~The auditor may consider consulting internally (e.g., within the firm or a network firm) or on a confidential basis with a regulator or professional body (unless doing so is prohibited by law or regulation or would breach the duty of confidentiality). The auditor may also consider ~~it appropriate to obtaining~~ legal advice to understand the auditor’s options and the professional or legal implications of taking any particular ~~determine the appropriate~~ course of

³ See Sections NZ225.21.1-NZ225.22.1 of Professional and Ethical Standard 1 (Revised).

⁴ ISA (NZ) 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements*, paragraphs A28-A34

action ~~in the circumstances, the purpose of which is to ascertain the steps necessary in considering the public interest aspects of identified fraud.~~

ISA (NZ) 260 (Revised), Communication with Those Charged with Governance

Introduction

The Role of Communication

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

ISA (NZ) 450, Evaluation of Misstatements Identified During the Audit

Requirements

Communication and Correction of Misstatements

8. The auditor shall communicate, unless prohibited by law or regulation, on a timely basis all misstatements accumulated during the audit with the appropriate level of management, ~~unless prohibited by law or regulation.~~⁵ The auditor shall request management to correct those misstatements. (Ref: Para. A10-A12)

Application and Other Explanatory Material

Communication and Correction of Misstatements (Ref: Para. 8-9)

- A11. In some jurisdictions, law Law or regulation may restrict the auditor's communication of certain misstatements to management, or others, within the entity. ~~For example, laws or regulations may specifically prohibit a communication, or other action, that might prejudice an investigation by an appropriate authority into an actual, or suspected, illegal act, including alerting the entity, for example, when the auditor is required to report identified or suspected non-compliance with law or regulation to an appropriate authority pursuant to anti-money laundering legislation. In some these circumstances, potential conflicts between the auditor's obligations of confidentiality and~~

⁵ ISA (NZ) 260 (Revised), *Communication with Those Charged with Governance*, paragraph 7

~~obligations to communicate may be complex. In such cases, the issues considered by the auditor may be complex and the auditor may consider seeking it appropriate to obtain legal advice.~~

ISA (NZ) 500, Audit Evidence

Requirements

Information to Be Used as Audit Evidence

7. When designing and performing audit procedures, the auditor shall consider the relevance and reliability of the information to be used as audit evidence. (Ref: Para. A26-A33a)

Application and Other Explanatory Material

Information to Be Used as Audit Evidence

Relevance and Reliability (Ref: Para. 7)

A26. As noted in paragraph A1, while audit evidence is primarily obtained from audit procedures performed during the course of the audit, it may also include information obtained from other sources such as, for example, previous audits, in certain circumstances, ~~and~~ a firm's quality control procedures for client acceptance and continuance and complying with certain additional responsibilities under law, regulation or relevant ethical requirements (e.g., regarding an entity's non-compliance with laws and regulations). The quality of all audit evidence is affected by the relevance and reliability of the information upon which it is based.

A33a. ISA (NZ) 250 (Revised)⁶ provides further guidance with respect to the auditor complying with any additional responsibilities under law, regulation or relevant ethical requirements regarding an entity's identified or suspected non-compliance with laws and regulations that may provide further information that is relevant to the auditor's work in accordance with ISAs (NZ) and evaluating the implications of such non-compliance in relation to other aspects of the audit.

ISRE (NZ) 2400, Engagements to Review Historical Financial Statements

Requirements

Performing the Engagement

Designing and Performing Procedures

48. The assurance practitioner's enquiries of management and others within the entity, as appropriate, shall include the following: (Ref: Para. A84–A87a)

...

- (d) The existence of any actual, suspected or alleged:

⁶ ISA (NZ) 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements*, paragraph 9

- (i) Fraud or illegal acts affecting the entity; and
- (ii) Non-compliance with provisions of laws and regulations that are generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial statements, such as tax and pension laws and regulations;

Fraud and non-compliance with laws ~~or~~ and regulations

52. When there is an indication that fraud or non-compliance with laws ~~or~~ and regulations, or suspected fraud or non-compliance with laws ~~or~~ and regulations, has occurred in the entity, the assurance practitioner shall:

- (a) Communicate that matter, unless prohibited by law or regulation, with~~to~~ the appropriate level of ~~senior~~-management or those charged with governance as appropriate; (Ref: Para. A91a)
- (b) Request management's assessment of the effect(s), if any, on the financial statements;
- (c) Consider the effect, if any, of management's assessment of the effects of identified or suspected fraud or non-compliance with laws and~~or~~ regulations communicated to the assurance practitioner on the assurance practitioner's conclusion on the financial statements and on the assurance practitioner's report; and
- (d) Determine whether law, regulation or relevant ethical requirements: there is a responsibility to report the occurrence or suspicion of fraud or illegal acts to a party outside the entity. (Ref: Para. A92-A92d)
 - (i) Require the practitioner to report to an appropriate authority outside the entity.
 - (ii) Establish responsibilities under which reporting to an appropriate authority outside the entity may be appropriate in the circumstances.

Application and Other Explanatory Material

Performing the Engagement

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

Enquiry (Ref: Para. 46-48)

A87a [Amended by the NZAuASB]

NZA87a. The assurance practitioner may have additional responsibilities under law, regulation or relevant ethical requirements regarding an entity's non-compliance with laws and regulations, including fraud, which may differ from or go beyond this ISRE (NZ), such as:

- (a) Responding to identified or suspected non-compliance with laws and regulations, including requirements in relation to specific communications with management and those charged with governance and determining whether further action is needed;
- (b) Communicating identified or suspected non-compliance with laws and regulations to an auditor, for example a group engagement partner;⁷ and
- (c) Documentation requirements regarding identified or suspected non-compliance with laws

⁷ See, for example, Sections NZ225.17.1-NZ225.17.5 of Professional and Ethical Standard 1 (Revised)

and regulations.

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

Procedures to Address Specific Circumstances

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

Communication with management and those charged with governance

A91a. In some jurisdictions, law or regulation may restrict the assurance practitioner's communication of certain matters with management or those charged with governance. Law or regulation may specifically prohibit a communication, or other action, that might prejudice an investigation by an appropriate authority into an actual, or suspected, illegal act, including alerting the entity, for example, when the assurance practitioner is required to report identified or suspected non-compliance with laws and regulations to an appropriate authority pursuant to anti-money laundering legislation. In these circumstances, the issues considered by the assurance practitioner may be complex and the assurance practitioner may consider it appropriate to obtain legal advice.

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

~~A92. Under this ISRE (NZ), if the assurance practitioner has identified or suspects fraud or illegal acts the assurance practitioner is required to determine whether there is a responsibility to report the occurrence or suspicion to a party outside the entity. Reporting identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity may be required or appropriate in the circumstances because:~~

- ~~(a) Law, regulation or relevant ethical requirements require the assurance practitioner to report;~~
- ~~(b) The assurance practitioner has determined reporting is an appropriate action to respond to identified or suspected non-compliance in accordance with relevant ethical requirements (see paragraph A92a); or~~
- ~~(c) Law, regulation or relevant ethical requirements provide the assurance practitioner with the right to do so (see paragraph A92b). - Although the assurance practitioner's professional duty to maintain the confidentiality of client information may preclude such reporting, the assurance practitioner's legal responsibilities may override the duty of confidentiality in some circumstances.~~

A92a [Amended by the NZAuASB]

NZA92a. In some cases the relevant ethical requirements may require the assurance practitioner to report or to consider whether reporting identified or suspected fraud or non-compliance with laws and regulations to an appropriate authority outside the entity is an appropriate action in the circumstances. For example, Professional and Ethical Standard 1 (Revised) requires the assurance practitioner to take steps to respond to identified or suspected non-compliance with laws and regulations, and determine whether further action is needed, which may include reporting to an

appropriate authority outside the entity.⁸ Professional and Ethical Standard 1 (Revised) explains that such reporting would not be considered a breach of the duty of confidentiality under Professional and Ethical Standard 1 (Revised).⁹

A92b. Even if law, regulation or relevant ethical requirements do not include requirements that address reporting identified or suspected non-compliance, they may provide the assurance practitioner with the right to report identified or suspected fraud or non-compliance with laws and regulations to an appropriate authority outside the entity.

A92c. In other circumstances, the reporting of identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity may be precluded by the assurance practitioner's duty of confidentiality under law, regulation or relevant ethical requirements.

A92d. The determination required by paragraph 52(d) may involve complex considerations and professional judgements. Accordingly, the assurance practitioner may consider consulting internally (e.g., within the firm or a network firm) or on a confidential basis with a regulator or a professional body (unless doing so is prohibited by law or regulation or would breach the duty of confidentiality). The assurance practitioner may also consider obtaining legal advice to understand the assurance practitioner's options and the professional or legal implications of taking any particular course of action.

ISAE (NZ) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information

Requirements

Planning and Performing the Engagement

Understanding the Underlying Subject Matter and Other Engagement Circumstances

45. The assurance practitioner shall make enquiries of the appropriate party(ies) regarding:
- (a) Whether they have knowledge of any actual, suspected or alleged intentional misstatement or non-compliance with laws and regulations affecting the subject matter information; (Ref: Para. A101-A101a)
 - (b) Whether the responsible party has an internal audit function and, if so, make further enquiries to obtain an understanding of the activities and main findings of the internal audit function with respect to the subject matter information; and
 - (c) Whether the responsible party has used any experts in the preparation of the subject matter information.

Other Communication Responsibilities

78. The assurance practitioner shall consider whether, pursuant to the terms of the engagement and other engagement circumstances, any matter has come to the attention of the assurance practitioner that is to be communicated with the responsible party, the measurer or evaluator, the engaging

⁸ See, for example, Section 225.29 of Professional and Ethical Standard 1 (Revised).

⁹ See, for example, Section 140.7 and Section 225.35 of Professional and Ethical Standard 1 (Revised).

party, those charged with governance or others. (Ref: Para. A192-A192f)

Application and Other Explanatory Material

Planning and Performing the Engagement

Understanding the Engagement Circumstances (Ref: Para. 45-47R)

A101a [Amended by the NZAuASB]

NZA101a. The assurance practitioner may have additional responsibilities under law, regulation or relevant ethical requirements regarding an entity's non-compliance with laws and regulations, which may differ from or go beyond the assurance practitioner's responsibilities under this ISAE (NZ), such as:

- (a) Responding to identified or suspected non-compliance with laws and regulations, including requirements in relation to specific communications with management and those charged with governance and determining whether further action is needed;
- (b) Communicating identified or suspected non-compliance with laws and regulations to an auditor;¹⁰ and
- (c) Documentation requirements regarding identified or suspected non-compliance with laws and regulations.

Complying with any additional responsibilities may provide further information that is relevant to the assurance practitioner's work in accordance with this and any other ISAE (NZ) or SAE (e.g., regarding the integrity of the responsible party or those charged with governance). Paragraphs A192a-A192e further address the assurance practitioner's responsibilities under law, regulation or relevant ethical requirements regarding communicating and reporting identified or suspected non-compliance with laws and regulations.

Other Communication Responsibilities (Ref: Para. 78)

Communication with Management and Those Charged with Governance

A192a. Relevant ethical requirements may include a requirement to report identified or suspected non-compliance with laws and regulations to an appropriate level of management or those charged with governance. In some jurisdictions, law or regulation may restrict the assurance practitioner's communication of certain matters with the responsible party, management or those charged with governance. Law or regulation may specifically prohibit a communication, or other action, that might prejudice an investigation by an appropriate authority into an actual, or suspected, illegal act, including alerting the entity, for example, when the assurance practitioner is required to report the identified or suspected non-compliance to an appropriate authority pursuant to anti-money laundering legislation. In these circumstances, the issues considered by the assurance practitioner may be complex and the assurance practitioner may consider it appropriate to obtain legal advice.

Reporting of Identified or Suspected Non-Compliance with Laws and Regulations to an Appropriate Authority outside the Entity

¹⁰ See, for example, Sections NZ225.17.1-NZ225.17.5 of Professional and Ethical Standard 1 (Revised).

A192b. Law, regulation or relevant ethical requirements may:

- (a) Require the assurance practitioner to report identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity.
- (b) Establish responsibilities under which reporting to an appropriate authority outside the entity may be appropriate in the circumstances.¹¹

A192c. Reporting identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity may be required or appropriate in the circumstances because:

- (a) Law, regulation or relevant ethical requirements require the assurance practitioner to report;
- (b) The assurance practitioner has determined reporting is an appropriate action to respond to identified or suspected non-compliance in accordance with relevant ethical requirements; or
- (c) Law, regulation or relevant ethical requirements provide the assurance practitioner with the right to do so.

A192d. The reporting of identified or suspected non-compliance with laws and regulations in accordance with law, regulation or relevant ethical requirements may include non-compliance with laws and regulations that the assurance practitioner comes across or is made aware of when performing the engagement but which may not affect the subject matter information. Under this ISAE (NZ), the assurance practitioner is not expected to have a level of understanding of laws and regulations beyond those affecting the subject matter information. However, law, regulation or relevant ethical requirements may expect the assurance practitioner to apply knowledge, professional judgement and expertise in responding to such non-compliance. Whether an act constitutes actual non-compliance is ultimately a matter to be determined by a court or other appropriate adjudicative body.

A192e. In some circumstances, the reporting of identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity may be precluded by the assurance practitioner's duty of confidentiality under law, regulation, or relevant ethical requirements. In other cases, reporting identified or suspected non-compliance to an appropriate authority outside the entity would not be considered a breach of the duty of confidentiality under the relevant ethical requirements.¹²

A192f. The assurance practitioner may consider consulting internally (e.g., within the firm or network firm), obtaining legal advice to understand the professional or legal implications of taking any particular course of action, or consulting on a confidential basis with a regulator or a professional body (unless doing so is prohibited by law or regulations or would breach the duty of confidentiality).¹³

¹¹ See, for example, Section 225.29 of Professional and Ethical Standard 1 (Revised).

¹² See, for example, Section 140.7 and Section 225.35 of Professional and Ethical Standard 1 (Revised).

¹³ See, for example, Section 225.32 of Professional and Ethical Standard 1 (Revised).

ISAE (NZ) 3402, Assurance Reports on Controls at a Service Organisation

Requirements

Other Communication Responsibilities

56. If the service auditor becomes aware of non-compliance with laws and regulations, fraud, or uncorrected errors attributable to the service organisation that are not clearly trivial and may affect one or more user entities, the service auditor shall determine whether the matter has been communicated appropriately to affected user entities. If the matter has not been so communicated and the service organisation is unwilling to do so, the service auditor shall take appropriate action. (Ref: Para. A53)

Application and Other Explanatory Material

Other Communication Responsibilities (Ref: Para. 56)

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

- Obtaining legal advice about the consequences of different courses of action.
- Communicating with those charged with governance of the service organisation.
- Determining whether to communicate with third parties (e.g., law, regulation or relevant ethical requirements may require the service auditor to report to an appropriate authority outside the entity or the external auditor of the service organisation,¹⁴ or establish responsibilities under which such reporting may be appropriate in the circumstances). ~~Communicating with third parties (for example, a regulator) when required to do so.~~
- Modifying the service auditor's opinion, or adding an Other Matter paragraph.
- Withdrawing from the engagement.

ISAE (NZ) 3410, Assurance Engagements on Greenhouse Gas Statements

Requirements

Other Communication Responsibilities

78. The assurance practitioner shall communicate, unless prohibited by law or regulation, ~~with~~ those person(s) with oversight responsibilities for the GHG statement the following matters that come to the assurance practitioner's attention during the course of the engagement, and shall determine whether there is a responsibility to report them to another party within or outside the entity:

¹⁴ See, for example, Sections NZ225.17.1-NZ225.17.5 of Professional and Ethical Standard 1 (Revised).

- (a) Deficiencies in internal control that, in the assurance practitioner's professional judgement, are of sufficient importance to merit attention;
- (b) Identified or suspected fraud; and
- (c) Matters involving identified or suspected non-compliance with laws and regulations, other than when the matters are clearly trivial. (Ref: Para. A87)

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

Application and Other Explanatory Material

Confidentiality, Safe Custody, Integrity, Accessibility and Retrievability of Engagement Documentation
(Ref: Para. 52, 68)

A56. Relevant ethical requirements establish an obligation for the firm's personnel to observe at all times the confidentiality of information contained in engagement documentation, unless specific client authority has been given to disclose information, or there are responsibilities under law, regulation or relevant ethical requirements ~~is a legal or professional duty~~ to do so.¹⁵ Specific laws or regulations may impose additional obligations on the firm's personnel to maintain client confidentiality, particularly where data of a personal nature are concerned.

XRB Au1 Application of Auditing and Assurance Standards

In Appendix 2, ISA (NZ) 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*, is amended to reflect the issue of ISA (NZ) 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements*.

C: EFFECTIVE DATE

An auditor that is required to apply the amendments in this Standard is required to apply it for audits of financial statements for periods ending on or after 15 December 2017. However, early adoption is permitted.

¹⁵ See, for example, Section 140.7 and Section 225.35 of Professional and Ethical Standard 1 (Revised).