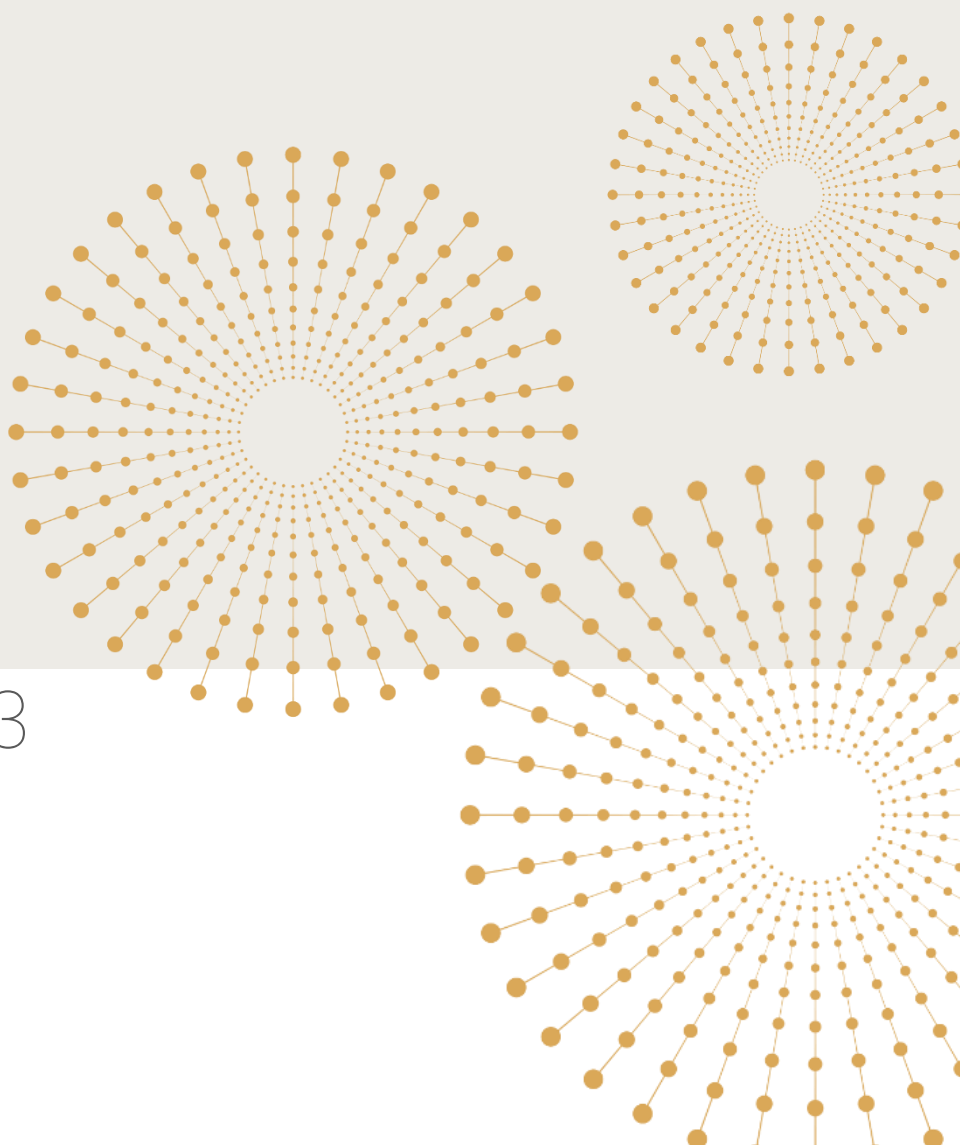


# Amendments to Auditing and Review Engagement Standards as a Result of the Revisions to Financial Reporting Standards

Commencement and application dates: refer to Part A of this standard



Issued May 2023



# AMENDMENTS TO AUDITING AND REVIEW ENGAGEMENT STANDARDS AS A RESULT OF THE REVISIONS TO FINANCIAL REPORTING STANDARDS

## Legal status of Standard

This Standard was issued on 25 May 2023 by the New Zealand Auditing and Assurance Standards Board of the External Reporting Board (XRB) pursuant to section 12(b) of the Financial Reporting Act 2013.

This Standard is secondary legislation for the purposes of the Legislation Act 2019. An auditor or assurance practitioner, that is required to apply this Standard, is required to apply the Standard in accordance with the application date which is set out in Part A.

This Standard has been issued to reflect the amendments necessary to auditing and review engagement standards as a result of the revision to NZ IAS 1 *Presentation of Financial Statements*, and the amendments necessary to auditing and professional and ethical standards as a result of the revision to PBE IPSAS 1 *Presentation of Financial Reports*.

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**AMENDMENTS TO AUDITING AND REVIEW ENGAGEMENT STANDARDS AS A RESULT  
OF THE REVISIONS TO FINANCIAL REPORTING STANDARDS**

*Issued by the New Zealand Auditing and Assurance Standards Board*

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## **A: Commencement and application**

### **When standard takes effect (Section 27 Financial Reporting Act 2013)**

1. This standard takes effect on the 28th day after the date of its publication under the Legislation Act 2019<sup>1</sup>.

### **Accounting period in relation to which standards commence to apply (section 28 Financial Reporting Act 2013)**

2. The accounting periods in relation to which this standard commences to apply are:
  - (a) for an **early adopter**, those accounting periods, following and including, the **early adoption accounting period**.
  - (b) for any other auditor or assurance practitioner, those accounting periods following, and including, the first accounting period that begins on or after the **mandatory date**.
3. In paragraph 2:

**early adopter** means an auditor or assurance practitioner that applies this standard for an early adoption accounting period.

**early adoption accounting period** means the accounting period:

- (a) that begins before the mandatory date but has not ended or does not end before this standard takes effect (and to avoid doubt, that period may have begun before this standard takes effect); and
- (b) for which the early adopter:
  - (i) first applies this standard for any audit or review engagement; and
  - (ii) discloses in the auditor's or assurance practitioner's report for that accounting period that this standard has been applied for that period.

**mandatory date** means 1 January 2023.

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<sup>1</sup> The standard was published on 25 May 2023 and takes effect on 22 June 2023.

## **B: Introduction**

Part C of this Standard contains Amendments to Auditing and Review Engagement Standards as a Result of the Revision to NZ IAS 1 *Presentation of Financial Statements*. A tabular presentation format has been used to show the amendments to the standards. Underline and strikethrough are used to indicate changes.

These Amendments affect the following standards:

- ISA (NZ) 210 *Agreeing the Terms of Audit Engagements*
- ISA (NZ) 510 *Initial Audit Engagements – Opening Balances*
- ISA (NZ) 570 *Going Concern*
- ISA (NZ) 600 *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*
- ISA (NZ) 600 (Revised) *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*
- ISA (NZ) 700 (Revised) *Forming an Opinion and Reporting on Financial Statements*
- ISA (NZ) 705 (Revised) *Modifications to the Opinion in the Independent Auditor's Report*
- ISA (NZ) 706 (Revised) *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*
- ISA (NZ) 710 *Comparative Information – Corresponding Figures and Comparative Financial Statements*
- ISA (NZ) 720 (Revised) *The Auditor's Responsibility Relating to Other Information*
- ISRE (NZ) 2400 *Review of Historical Financial Statements Performed by an Assurance Practitioner who is Not the Auditor of the Entity*.

Part D of this Standard contains Consequential Amendments to Auditing and Professional and Ethical Standards as a Result of the Revision to PBE IPSAS 1 *Presentation of Financial Reports*. Underline and strikethrough are used to indicate changes.

These Amendments affect the following standards:

- ISA (NZ) 570 *Going Concern*
- Professional and Ethical Standard 1 (PES 1) *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*.

## C: Amendments to Auditing and Review Engagement Standards as a Result of the Revision to NZ IAS 1 Presentation of Financial Statements

Ref.	Amendments to the Standards
<b>ISA (NZ) 210</b>	<b><i>Agreeing the Terms of Audit Engagements</i></b>
Appendix 1	<p>[<i>The objective and scope of the audit</i>]</p> <p>You<sup>23</sup> have requested that we audit the financial statements of ABC Company, which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a <del>summary of significant</del> <u>material</u> accounting <del>policies</del> <u>policy information</u>.</p> <p><sup>23</sup> Throughout this letter, references to “you,” “we,” “us,” “management,” “those charged with governance” and “auditor” would be used or amended as appropriate in the circumstances.</p>
<b>Various standards, as disclosed below</b>	<b><i>Appendices to Various ISAs (NZ) which will require the same update</i></b>
<ul style="list-style-type: none"> <li>• ISA (NZ) 510 <i>Initial Audit Engagements – Opening Balances</i>: Appendix, Illustration 2</li> <li>• ISA (NZ) 570 <i>Going Concern</i>: Appendix, (various Illustrations)</li> <li>• ISA (NZ) 600 <i>Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)</i>: Appendix 1</li> <li>• ISA (NZ) 600 (Revised) <i>Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)</i>: Appendix 1</li> <li>• ISA (NZ) 700 (Revised) <i>Forming an Opinion and Reporting on Financial Statements</i>: Appendix, (various Illustrations)</li> <li>• ISA (NZ) 705 (Revised) <i>Modifications to the Opinion in the Independent Auditor's</i></li> </ul>	<p><b>Opinion</b></p> <p>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, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a <del>summary of significant</del> <u>material</u> accounting <del>policies</del> <u>policy information</u>.</p>

Ref.	Amendments to the Standards
<p><i>Report: Appendix, (various Illustrations)</i></p> <ul style="list-style-type: none"> <li>• ISA (NZ) 706 (Revised) <i>Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report: Appendix 3 &amp; Appendix 4</i></li> <li>• ISA (NZ) 710 <i>Comparative Information – Corresponding Figures and Comparative Financial Statements: Appendix, (various Illustrations)</i></li> <li>• ISA (NZ) 720 (Revised) <i>The Auditor's Responsibility Relating to Other Information: Appendix 2, (various Illustrations)</i></li> </ul>	
<b>ISRE (NZ) 2400</b>	<b><i>Review of Historical Financial Statements Performed by an Assurance Practitioner who is Not the Auditor of the Entity</i></b>
Appendix 1	<p><i>[The objective and scope of the review]</i></p> <p>You<sup>21</sup> have requested that we review the general purpose financial statements of ABC Entity, which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and <del>statement of cash flows</del> <u>statement</u> for the year then ended, and <del>a summary of significant</del> <u>material</u> accounting <del>polieies</del> <u>policy information</u> and other explanatory information.</p> <p><sup>21</sup> Throughout this letter, references to “you,” “we,” “us,” “management,” “those charged with governance” and “auditor” would be used or amended as appropriate in the circumstances.</p>
Appendix 2, (various Illustrations)	<p>We have reviewed the accompanying financial statements of ABC Entity, which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and <del>a summary of significant</del> <u>material</u> accounting <del>polieies</del> <u>policy information</u> and other explanatory information.</p>

## **D: Consequential Amendments to Auditing and Professional and Ethical Standards as a Result of the Revision to PBE IPSAS 1 Presentation of Financial Reports**

### **ISA (NZ) 570 Going Concern**

...

#### **Going Concern Basis of Accounting ...**

##### *Considerations Specific to Public Sector Entities*

A2. Management's use of the going concern basis of accounting is also relevant to public sector entities. For example, Public Benefit Entity International Public Sector Accounting Standard (PBE IPSAS) 1 addresses the issue of the ability of public sector entities to continue as going concerns.<sup>6</sup> Going concern risks may arise, but are not limited to, situations where public sector entities operate on a for-profit basis, where government support may be reduced or withdrawn, or in the case of privatisation. Events or conditions that may cast significant doubt on an entity's ability to continue as a going concern in the public sector may include situations where the public sector entity lacks funding for its continued existence or when policy decisions are made that affect the services provided by the public sector entity.

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<sup>6</sup> PBE IPSAS 1, *Presentation of Financial ~~Statements~~ Reports*, paragraphs 38–41.

...

### **PES 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)**

...

**R410.30** If laws and regulations do not require<sup>6</sup> an audit client to disclose audit fees, fees for services other than audit paid or payable to the firm and network firms and information about fee dependency, the firm shall discuss with those charged with governance of an audit client that is a public interest entity:

- (a) The benefit to the client's stakeholders of the client making such disclosures that are not required by laws and regulations in a manner deemed appropriate, taking into account the timing and accessibility of the information; and
- (b) The information that might enhance the users' understanding of the fees paid or payable and their impact on the firm's independence.

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<sup>6</sup> FRS-44 *New Zealand Additional Disclosures* and PBE IPSAS 1 *Presentation of Financial ~~Statements~~ Reports* issued by the New Zealand Accounting Standards Board require disclosure of fees paid to the audit firm. Additionally, section 211 of the Companies Act 1993 requires the annual report to include the amounts payable to the audit firm.

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