



## **NEW ZEALAND STANDARD ON REVIEW ENGAGEMENTS 2410 (Revised)**

### **Review of Financial Statements Performed by the Independent Auditor of the Entity (NZ SRE 2410 (Revised))**

This Standard was issued on 25 June 2020 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(2) of the Financial Reporting Act 2013 takes effect on 25 June 2020.

An auditor that is required to apply this Standard is required to apply it for reviews of financial statements for periods ending on or after December 31, 2020. 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 promote consistency in practice and with the form and content of the auditor's report prepared in accordance with ISA (NZ) 700 (Revised).

This Standard, when applied, supersedes New Zealand Standard on Review Engagements 2410, *Review of Financial Statements Performed by the Independent Auditor of the Entity*.

This compilation was prepared in May 2022 and incorporates amendments up to and including May 2022

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## NEW ZEALAND STANDARD ON REVIEW ENGAGEMENTS 2410 (Revised)

REVIEW OF FINANCIAL STATEMENTS PERFORMED BY THE INDEPENDENT AUDITOR OF THE  
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## History of Amendments

### Table of pronouncements – NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity*

This table lists the pronouncements establishing and amending NZ SRE 2410 (Revised).

<b>Pronouncements</b>	<b>Date approved</b>	<b>Effective date</b>
NZ SRE 2410 (Revised) <i>Review of Financial Statements Performed by the Independent Auditor of the Entity</i>	June 2020	Effective for reviews of financial statements for periods ending on or after 31 December 2020.
Annual Improvements and Conforming and Consequential Amendments to Domestic Assurance Standards	May 2022	Effective for reviews of financial statements for periods beginning on or after 15 December 2022

<b>Table of Amended Paragraphs in NZ SRE 2410 (Revised)</b>		
<b>Paragraph affected</b>	<b>How affected</b>	<b>By...[date]</b>
9, 10, 14, 15, A4, A6, A9, A10, A11, A19, A20, A21,	Amended	Annual Improvements and Conforming and Consequential Amendments to Domestic Assurance Standards [May 2022]

## **Operative Date**

1. This New Zealand Standard on Review Engagements (NZ SRE) 2410 (Revised) is effective for reviews of financial statements for periods ending on or after December 31, 2020, with early adoption permitted.
2. This NZ SRE 2410 (Revised) supersedes NZ SRE 2410 issued by the New Zealand Auditing and Assurance Standards Board in December 2013.

## **Introduction**

### **Scope of this NZ SRE 2410 (Revised)**

3. This NZ SRE 2410 (Revised) deals with the auditor's responsibilities when an auditor undertakes an engagement to review the financial statements of an audit client, and on the form and content of the auditor's review report. The term "auditor" is used throughout this NZ SRE 2410 (Revised), not because the auditor is performing an audit function but because the scope of this NZ SRE 2410 (Revised) is limited to a review performed by the independent auditor of the financial statements of the entity.
4. This NZ SRE 2410 (Revised) is directed towards a review of financial statements by an entity's auditor. This NZ SRE 2410 (Revised) is to be applied, adapted as necessary, when an entity's auditor undertakes an engagement to review historical financial information other than financial statements of an audit client.

## **Objective**

5. The objective of the auditor is to plan and perform the review to enable the auditor to express a conclusion whether, on the basis of the review, anything has come to the auditor's attention that causes the auditor to believe that the financial statement, or complete set of financial statements, is (are) not prepared, in all material respects, in accordance with the applicable financial reporting framework. (Ref: Para. A1-A3)

## **Definitions**

6. For the purposes of this NZ SRE 2410 (Revised), the following terms have the meanings attributed below:
  - (a) Interim financial statements means financial statements that are prepared in accordance with an applicable financial reporting framework for a period that is shorter than the entity's financial year.
  - (b) Financial statements means a structured representation of historical financial information, including disclosures, intended to communicate an entity's economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The term "financial statements" ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework, but can also refer to a single financial statement. Disclosures comprise explanatory or descriptive information, set out as required, expressly permitted or otherwise allowed by the applicable financial reporting framework, on the face of the financial statement, or in the notes, or incorporated therein by cross-reference.
  - (c) An applicable financial reporting framework means the financial reporting framework adopted by management and, where appropriate, those charged with governance in the preparation of the financial statements that is acceptable in view

of the nature of the entity and the objective of the financial statements, or that is required by law or regulation.

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

- (a) 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
- (b) 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 (a) or (b) above.

## **Requirements**

### **Performing a Review**

- 7. The auditor who is engaged to perform a review of financial statements shall perform the review in accordance with this NZ SRE 2410 (Revised). (Ref: Para. A4)

### **General Principles of a Review of Financial Statements**

- 8. The auditor shall comply with relevant ethical requirements relating to the audit of the annual financial statements of the entity. (Ref: Para. A5)
- 9. The auditor shall implement quality management procedures that are applicable to the individual engagement. (Ref: Para. A6)
- 10. The auditor shall comply with the engagement quality management requirements of ISA (NZ) 220 (Revised)<sup>1</sup> when performing a review engagement in accordance with this NZ SRE 2410 (Revised).
- 11. The auditor shall plan and perform the review by exercising professional judgement and with an attitude of professional scepticism, recognising that circumstances may exist that cause the financial statements to require a material adjustment for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework. (Ref: Para. A7)

### **Agreeing the Terms of the Engagement** (Ref: Para. A8, A56 and A58)

#### *Preconditions for a Review*

- 12. The auditor shall, prior to agreeing the terms of the engagement, determine whether the financial reporting framework is acceptable and obtain agreement from those charged with governance, that they acknowledge and understand their responsibility:
  - (a) For the preparation of the financial statements including where relevant their fair presentation;

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<sup>1</sup> ISA (NZ) 220 (Revised), *Quality Management for an Audit of Financial Statements*

- (b) For such internal controls as management and those charged with governance deem necessary to enable the preparation of the financial statements that are free from material misstatement; and
- (c) To provide the auditor with:
  - access to information relevant to the preparation of the financial statements;
  - additional information that the auditor may request for the purposes of the review engagement; and
  - unrestricted access to persons from whom the auditor determines it necessary to obtain evidence.

*Agreement on Review Engagement Terms*

13. The auditor shall agree the terms of the engagement with those charged with governance, which shall be recorded in writing by the auditor and forwarded to the entity. When the review engagement is undertaken pursuant to legislation, the minimum applicable terms are those contained in the legislation.

**Procedures for a Review of Financial Statements**

**Understanding the Entity and its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control**

14. The auditor shall obtain an understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control, as it relates to the preparation of both the annual and interim or other financial statements, sufficient to plan and conduct the engagement so as to be able to:
- (a) Identify the types of potential material misstatements and consider the likelihood of their occurrence; and
  - (b) Select the enquiries, analytical and other review procedures that will provide the auditor with a basis for reporting whether anything has come to the auditor's attention that causes the auditor to believe that the financial statements are not prepared, in all material respects, in accordance with the applicable financial reporting framework. (Ref: Para. A9-A12)
15. In order to plan and conduct a review of financial statements, a recently appointed auditor, who has not yet performed an audit of the annual financial statements in accordance with International Standards on Auditing (New Zealand), shall obtain an understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control, as it relates to the preparation of both the annual and interim or other financial statements. (Ref: Para. A13)

**Materiality** (Ref: Para. A14-A18)

16. The auditor shall consider materiality, using professional judgement, when:
- (a) Determining the nature, timing and extent of review procedures; and
  - (b) Evaluating the effect of misstatements.

**Enquiries, Analytical and Other Review Procedures**

17. The auditor shall make enquiries, primarily of persons responsible for financial and accounting matters, and perform analytical and other review procedures to enable the



auditor to conclude whether, on the basis of the procedures performed, anything has come to the auditor's attention that causes the auditor to believe that the financial statements are not prepared, in all material respects, in accordance with the applicable financial reporting framework. (Ref: Para. A19-A23)

18. The auditor shall obtain evidence that the financial statements agree or reconcile with the underlying accounting records. (Ref: Para. A24)
19. The auditor shall enquire whether management has identified all events up to the date of the review report that may require adjustment to or disclosure in the financial statements. (Ref: Para. A25)
20. The auditor shall enquire whether those charged with governance have changed their assessment of the entity's ability to continue as a going concern. When, as the result of this enquiry or other review procedures, the auditor becomes aware of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, the auditor shall:
  - (a) Enquire of those charged with governance as to their plans for future actions based on their going concern assessment, the feasibility of these plans, and whether they believe that the outcome of these plans will improve the situation; and
  - (b) Consider the adequacy of the disclosure about such matters in the financial statements. (Ref: Para. A26)
21. When a matter comes to the auditor's attention that leads the auditor to question whether a material adjustment should be made for the financial statements to be prepared, in all material respects, in accordance with the applicable financial reporting framework, the auditor shall make additional enquiries or perform other procedures to enable the auditor to express a conclusion in the review report. (Ref: Para. A27)
22. The auditor shall enquire of management and, where appropriate, those charged with governance, as to the existence of any actual or suspected 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.

#### **Comparatives – First Financial Statements** (Ref: Para. A28-A31)

23. When comparative information is included for the first time in the financial statements, an auditor shall perform similar procedures on the comparative information as applied to the current period financial statements.

#### **Evaluation of Misstatements** (Ref: Para. A32-A34)

24. The auditor shall evaluate, individually and in the aggregate, whether uncorrected misstatements that have come to the auditor's attention are material to the financial statements.

#### **Written Representations**

25. The auditor shall endeavour to obtain written representations from those charged with governance, that:
  - (a) They acknowledge their responsibility for the design and implementation of internal control to prevent and detect fraud and error;

- (b) The financial statements are prepared and presented in accordance with the applicable financial reporting framework;
  - (c) They believe the effect of those uncorrected misstatements aggregated by the auditor during the review are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such items is included in or attached to the written representations;
  - (d) They have disclosed to the auditor all significant facts relating to any frauds or suspected frauds known to them that may have affected the entity;
  - (e) They have disclosed to the auditor the results of their assessment of the risk that the financial statements may be materially misstated as a result of fraud;
  - (f) They have disclosed to the auditor all known actual or suspected non-compliance with laws and regulations, the effects of which are to be considered when preparing the financial statements;
  - (g) They have disclosed to the auditor all significant events that have occurred subsequent to the balance sheet date and through to the date of the review report that may require adjustment to or disclosure in the financial statements; and
  - (h) They have disclosed to the auditor all information relevant to the use of the going concern basis of accounting. (Ref: Para. A35)
26. If those charged with governance refuse to provide a written representation that the auditor considers necessary, this constitutes a limitation on the scope of the auditor's work and the auditor shall express a qualified conclusion or a disclaimer of conclusion, as appropriate.

#### **Auditor's Responsibility for Other Information**

27. The auditor shall read the other information that accompanies the financial statements to consider whether there are any material inconsistencies with the financial statements. (Ref: Para. A36)
28. If a matter comes to the auditor's attention that causes the auditor to believe that the other information appears to include a material misstatement of fact, the auditor shall discuss the matter with the entity's management, and where appropriate, those charged with governance. (Ref: Para. A37)

#### **Communication**

29. When, as a result of performing a review of the financial statements, a matter comes to the auditor's attention that causes the auditor to believe that it is necessary to make a material adjustment to the financial statements for them to be prepared, in all material respects, in accordance with the applicable financial reporting framework, the auditor shall communicate this matter as soon as practicable to the appropriate level of management.
30. When, in the auditor's judgement, management does not respond appropriately within a reasonable period of time, the auditor shall inform those charged with governance. (Ref: Para. A38)
31. When, in the auditor's judgement, those charged with governance do not respond appropriately within a reasonable period of time, the auditor shall consider:
- (a) Whether to modify the review report; or

- (b) The possibility of withdrawing from the engagement; and
  - (c) The possibility of resigning from the appointment to audit the annual financial statements. (Ref: Para. A59)
32. When, as a result of performing the review of the financial statements, a matter comes to the auditor's attention that indicates the existence of fraud or non-compliance with laws and regulations, or suspected fraud or non-compliance with laws and regulations, has occurred in the entity, the auditor shall:
- (a) Communicate the matter, unless prohibited by law or regulation, as soon as practicable with those charged with governance;
  - (b) Request management's assessment of the effect(s), if any, on the financial statements;
  - (c) Consider the effect on the auditor's conclusion and the review report; and
  - (d) Determine whether law, regulation or relevant ethical requirements:
    - i. Require the auditor 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. (Ref: Para. A39-A40)
33. The auditor shall communicate relevant matters of governance interest arising from the review of the financial statements to those charged with governance. (Ref: Para. A41 and A60)

### **Reporting the Nature, Extent and Results of the Review of Financial Statements**

34. The auditor shall issue a written report that contains the following:
- (a) An appropriate title clearly identifying it as a review report of the independent auditor of the entity.
  - (b) An addressee, as required by the circumstances of the engagement.
35. The first section of the auditor's review report shall include the auditor's conclusion, and shall have the heading "Conclusion". The Conclusion section of the report shall:
- (a) Identify the entity whose financial statements have been reviewed;
  - (b) State that the financial statements have been reviewed;
  - (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; and
  - (f) Include a conclusion:
    - i. When expressing an unmodified conclusion on financial statements prepared in accordance with a fair presentation framework, the report shall include a conclusion as to whether anything has come to the auditor's attention that causes the auditor to believe that the financial statements do not present fairly, in all material respects, or if applicable are not true and

fair, in accordance with the applicable financial reporting framework (including a reference to the jurisdiction or country of origin of the financial reporting framework when New Zealand is not the origin of the financial reporting framework used).

- ii. When expressing an unmodified conclusion on financial statements prepared in accordance with a compliance framework, the report shall include a conclusion as to whether anything has come to the auditor's attention that causes the auditor to believe that the financial statements have not been prepared, in all material respects, in accordance with the applicable financial reporting framework (including a reference to the jurisdiction or country of origin of the financial reporting framework when New Zealand is not the origin of the financial reporting framework used). (Ref: Para. A44)
36. The auditor's review report shall include a section, directly following the Conclusion section, with the heading "Basis for Conclusion", that:
    - (a) States that the review of the financial statements was conducted in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity*.
    - (b) Refers to the section of the auditor's review report that describes the auditor's responsibilities under NZ SRE 2410 (Revised).
    - (c) Includes a statement that the auditor is independent of the entity in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and has fulfilled the auditor's other ethical responsibilities in accordance with these requirements.
    - (d) Includes 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 or any of its subsidiaries.
  37. The auditor's review report shall include a section with a heading "Responsibilities of Those Charged with Governance for the Financial Statements." This section of the report shall describe the responsibilities of those charged with governance for the preparation of 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.
  38. 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 review 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.
  39. The auditor's review report shall include a section with the heading "Auditor's Responsibilities for the Review of the Financial Statements." This section of the auditor's review report shall:
    - (a) State that the auditor is responsible for expressing a conclusion on the financial statements based on the review.

- (b) State that a review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.
  - (c) State that a review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit, and that accordingly no audit opinion is expressed.
40. The name of the engagement partner shall be included in the auditor's review 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. (Ref: Para. A47)
41. The auditor's review report shall include:
- (a) The date the auditor signs the report.
  - (b) The location in the country or jurisdiction where the auditor practices.
  - (c) The auditor's signature. (Ref: Para. A47)

#### **Departure from the Applicable Financial Reporting Framework**

42. The auditor shall express a qualified or adverse conclusion when a matter has come to the auditor's attention that causes the auditor to believe that a material adjustment should be made to the financial statements for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework. The auditor shall amend the heading "Basis for Conclusion" to "Basis for Qualified Conclusion" or "Basis for Adverse Conclusion" in the report, that describes the nature of the departure and, if practicable, states the effects on the financial statements. If the effects or possible effects are incapable of being measured reliably, a statement to that effect and the reasons therefore shall be included in the Basis for Conclusion section. The conclusion paragraph shall be headed "Qualified Conclusion" or "Adverse Conclusion", whichever is relevant. (Ref: Para. A45–A46)
43. When the effect of the departure is so material and pervasive to the financial statements that the auditor concludes a qualified conclusion is not adequate to disclose the misleading or incomplete nature of the financial statements, the auditor shall express an adverse conclusion. (Ref: Para. A47)

#### **Limitation on Scope**

44. When the auditor is unable to complete the review, the auditor shall communicate, in writing, to the appropriate level of management and to those charged with governance the reason why the review cannot be completed, and consider whether it is appropriate to issue a review report. (Ref: Para. A48)

#### **Limitation on Scope Imposed by Management**

45. Unless required by law or regulation, an auditor shall not accept an engagement to review the financial statements when management has imposed a limitation on the scope of the auditor's review. (Ref: Para. A49 and A59)

46. If, after accepting the engagement, management imposes a limitation on the scope of the review, the auditor shall request management to remove the limitation. If management refuses the auditor's request to remove the limitation, the auditor shall communicate, in writing, to the appropriate level of management and those charged with governance, the reason(s) why the review cannot be completed. (Ref: Para.A50)
47. If management and, where appropriate, those charged with governance, refuses the auditor's request to remove a limitation that has been imposed on the scope of the review, but there is a legal or regulatory requirement for the auditor to issue a report, the auditor shall issue a disclaimer of conclusion or qualified conclusion report, as appropriate, containing the reason(s) why the review cannot be completed. (Ref: Para. A50)
48. When the auditor disclaims a conclusion on the financial statements, the auditor shall amend the description of the auditor's responsibilities required by paragraph 38 to include only:
  - (a) A statement that the auditor's responsibility is to conduct the review of the entity's financial statements in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity*;
  - (b) A statement that, however, because of the matter(s) described in the Basis for Disclaimer of Conclusion section, the auditor was not able to obtain sufficient evidence to provide a basis for a review conclusion on the financial statements; and
  - (c) The statement about auditor independence and other ethical responsibilities required by paragraphs 35(c) and (d).

#### **Other Limitations on Scope Not Imposed by Management**

49. The auditor shall express a qualified conclusion when, in rare circumstances, there is a limitation on the scope of the auditor's work that is confined to one or more specific matters, which while material, is not in the auditor's judgement pervasive to the financial statements, and when the auditor concludes that an unqualified conclusion cannot be expressed. A qualified conclusion shall be expressed as being "except for" the effects of the matter to which the qualification relates. The conclusion paragraph shall be headed "Qualified Conclusion". (Ref: Para. A52-A53)

#### **Going Concern and a Material Uncertainty Exists (Ref: Para. A54-A55)**

*Use of going concern basis of accounting is appropriate but a material uncertainty exists*

50. If adequate disclosure about the material uncertainty is made in the financial statements, the auditor shall express an unmodified conclusion and the auditor's report shall include a separate section under the heading "Material Uncertainty Related to Going Concern" to the review report to highlight a material uncertainty relating to an event or condition that casts significant doubt on the entity's ability to continue as a going concern. This section shall:
  - (a) Draw attention to the note(s) in the financial statements that discloses the matter; and

- (b) State that the events or conditions indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern and that the auditor's conclusion is not modified in respect of the matter.
51. If a material uncertainty that casts significant doubt on the entity's ability to continue as a going concern is not adequately disclosed in the financial statements, the auditor shall:
- (a) Express a qualified or adverse conclusion, as appropriate; and
  - (b) In the Basis for Qualified or Adverse Conclusion section of the review report, state that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern and that the financial statements do not adequately disclose this matter.

*Use of going concern basis of accounting is inappropriate*

52. If the financial statements have been prepared using the going concern basis of accounting but, in the auditor's judgement, management's use of the going concern basis of accounting in the preparation of the financial statements is inappropriate, the auditor shall express an adverse conclusion.

**Emphasis of Matter Paragraph**

53. The auditor shall consider including an emphasis of matter paragraph to draw users' attention to a matter presented or disclosed in the financial statements that, in the auditor's judgement, is of such importance that it is fundamental to users' understanding of the financial statements.
54. When the auditor includes an Emphasis of Matter paragraph in the auditor's review report, the auditor shall:
- (a) Include the paragraph within a separate section of the auditor's review report with an appropriate heading that includes the term "Emphasis of Matter";
  - (b) Include in the paragraph a clear reference to the matter being emphasized and to where relevant disclosures that fully describe the matter can be found in the financial statements. The paragraph shall refer only to information presented or disclosed in the financial statements; and
  - (c) Indicate that the auditor's conclusion is not modified in respect of the matter emphasized.

**Other Matter Paragraph**

55. The auditor shall consider including an Other Matter paragraph in the review report to communicate a matter other than those that are presented or disclosed in the financial statements, that in the auditor's judgement is relevant to users' understanding of the review, the auditor's responsibilities, or the review report, if not prohibited by law or regulation. When including an Other Matter paragraph in the review report, the auditor shall include a separate section with the heading "Other Matter", or other appropriate heading.

**Documentation** (Ref: Para. A61)

56. The auditor shall prepare review documentation that is sufficient and appropriate to provide a basis for the auditor's conclusion, and to provide evidence that the review

was performed in accordance with this NZ SRE 2410 (Revised) and applicable legal and regulatory requirements.

\* \* \*

## **Application and Other Explanatory Material**

### **Objective (Ref: Para. 5)**

- A1. Under paragraph 14, the auditor needs to make enquiries, and perform analytical and other review procedures in order to reduce to a limited level the risk of expressing an inappropriate conclusion when the financial statements are materially misstated.
- A2. The objective of a review of the financial statements differs significantly from that of an audit conducted in accordance with International Standards on Auditing (New Zealand). A review of the financial statements does not provide a basis for expressing an opinion whether the financial statements give a true and fair view, or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.
- A3. A review, in contrast to an audit, is not designed to obtain reasonable assurance that the financial statements are free from material misstatement. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review may bring significant matters affecting the financial statements to the auditor's attention, but it does not provide all of the evidence that would be required in an audit.

### **Performing a Review (Ref: Para 7)**

- A4. Through performing the audit of the annual financial statements, the auditor obtains an understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control. When the auditor is engaged to review the financial statements, under paragraph 14, the auditor needs to update this understanding through enquiries made in the course of the review, to assist the auditor in focusing the enquiries to be made and the analytical and other review procedures to be applied. An assurance practitioner who is engaged to perform a review of the financial statements, and who is not the auditor of the entity, does not perform the review in accordance with NZ SRE 2410 (Revised)\*, as the assurance practitioner ordinarily does not have the same understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control, as the auditor of the entity. Although other International Standards on Auditing (New Zealand) do not apply to review engagements, they include guidance which may be helpful to auditors performing reviews covered by this NZ SRE 2410 (Revised).

## **General Principles of a Review of Financial Statements**

- A5. Relevant ethical requirements<sup>2</sup> govern the auditor's professional responsibilities in the following areas: independence, integrity, objectivity, professional competence and due care, confidentiality, professional behaviour, and technical standards. (Ref: Para. 8)

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\* See ISRE (NZ) 2400 *Engagements to Review Historical Financial Statements*

<sup>2</sup> Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand)



- A6. The elements of quality management that are relevant to an individual engagement include leadership responsibilities for managing and achieving quality on the engagement, relevant ethical requirements, acceptance and continuance of client relationships and specific engagements, engagement resources, engagement performance, and monitoring and remediation. The system of quality management, and policies or procedures are the responsibility of the firm. Professional and Ethical Standard 3 (PES 3) *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, or requirements that are at least as demanding, applies to firms in respect of the firm's engagement to review financial statements. (Ref: Para. 9)
- A7. An attitude of professional scepticism denotes that the auditor makes a critical assessment, with a questioning mind, of the validity of evidence obtained and is alert to evidence that contradicts or brings into question the reliability of documents or representations by those charged with governance of the entity. ISA (NZ) 200 includes guidance which may be helpful.\* (Ref: Para. 11)

### **Agreeing the Terms of the Engagement**

- A8. Written agreement of the terms of the engagement helps to avoid misunderstandings regarding the nature of the engagement and, in particular, the objective and scope of the review, the responsibilities of those charged with governance, the extent of the auditor's responsibilities, the assurance obtained, and the nature and form of the report. The communication ordinarily covers the following matters:
- (a) the objective of a review of the financial statements;
  - (b) the scope of the review;
  - (c) the responsibilities of those charged with governance for:
    - (i) the preparation of the financial statements in accordance with the applicable financial reporting framework including where relevant their fair presentation;
    - (ii) establishing and maintaining effective internal control relevant to the preparation of the financial statements; and
    - (iii) making all financial records and related information available to the auditor;
  - (d) agreement from those charged with governance:
    - (i) to provide written representations to the auditor to confirm representations made orally during the review, as well as representations that are implicit in the entity's records; and
    - (ii) that where any document containing the financial statements indicates that the financial statements have been reviewed by the entity's auditor, the review report also will be included in the document; and
  - (e) the anticipated form and content of the report to be issued, including the identity of the addressee of the report.

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

An illustrative engagement letter is set out in Appendix 1. The terms of engagement to review the financial statements can also be combined with the terms of engagement to audit the annual financial statements. ISA (NZ) 210 includes guidance which may be helpful.\* (Ref: Para. 12)

## Procedures for a Review of the Financial Statements

### Understanding the Entity and its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control

- A9. Under ISA (NZ) 315 (Revised 2019) *Identifying and Assessing the Risks of Material Misstatement*, the auditor who has audited the entity's financial statements for one or more annual periods has obtained an understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control, as it relates to the preparation of the annual financial statements, that was sufficient to conduct the audit. In planning a review of the financial statements, the auditor needs to update this understanding. The auditor also needs to obtain a sufficient understanding of the entity's system of internal control as it relates to the preparation of the financial statements subject to review, as it may differ from internal control as it relates to the preparation of the annual financial statements. (Ref: Para. 14)
- A10. The auditor needs to use the understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control, to determine the enquiries to be made and the analytical and other review procedures to be applied, and to identify the particular events, transactions or assertions to which enquiries may be directed or analytical or other review procedures applied. (Ref: Para. 14)
- A11. The procedures performed by the auditor to update the understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control, ordinarily include the following:
- (a) reading the documentation, to the extent necessary, of the preceding year's audit, reviews of prior period(s) of the current year, and corresponding period(s) of the prior year, to enable the auditor to identify matters that may affect the current-period financial statements;
  - (b) considering any significant risks, including the risk of management override of controls, that were identified in the audit of the prior year's financial statements;
  - (c) reading the most recent annual and comparable prior period financial statements;
  - (d) considering materiality with reference to the applicable financial reporting framework as it relates to the financial statements, to assist in determining the nature and extent of the procedures to be performed and evaluating the effect of misstatements;
  - (e) considering the nature of any corrected material misstatements and any identified uncorrected immaterial misstatements in the prior year's financial statements;
  - (f) considering significant financial accounting and reporting matters that may be of continuing significance, such as material weaknesses in internal control;

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\* ISA (NZ) 210 *Agreeing the Terms of Audit Engagements*

- (g) considering the results of any audit procedures performed with respect to the current year's financial statements;
- (h) considering the results of any internal audit performed and the subsequent actions taken by management;
- (i) enquiring of management about the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- (j) enquiring of management and of other appropriate individuals within the entity about the effect of changes in the entity's business activities;
- (k) enquiring of management about any significant changes in internal control and the potential effect of any such changes on the preparation of the financial statements; and
- (l) enquiring of management of the process by which the financial statements have been prepared and the reliability of the underlying accounting records to which the financial statements are agreed or reconciled. (Ref: Para. 14)

A12. The auditor needs to determine the nature of the review procedures, if any, to be performed for components and, where applicable, communicate these matters to other auditors involved in the review. Factors considered ordinarily include the materiality of, and risk of misstatement in, the financial information of the component, and the auditor's understanding of the extent to which internal control over the preparation of such financial information is centralised or decentralised. (Ref: Para. 14)

A13. Obtaining an understanding of the entity and its environment enables the auditor to focus the enquiries made, and the analytical and other review procedures applied in performing a review of the financial statements in accordance with this NZ SRE 2410 (Revised). As part of obtaining this understanding, ordinarily the auditor makes enquiries of the predecessor auditor and, where practicable, reviews the predecessor auditor's documentation for the preceding annual audit and for any prior periods in the current year that have been reviewed by the predecessor auditor. In doing so, ordinarily the auditor considers the nature of any corrected misstatements, and any uncorrected misstatements aggregated by the auditor, any significant risks, including the risk of management override of controls, and significant accounting and any reporting matters that may be of continuing significance, such as material weaknesses in internal control. (Ref: Para. 15)

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

A14. The auditor needs to use professional judgement and consider qualitative and quantitative factors in determining materiality.

A15. Ordinarily, the auditor's consideration of materiality for a review of the financial statements is based on the period financial data and accordingly, materiality based on interim period financial data may be less than materiality for annual financial data. If the entity's business is subject to cyclical variations or if the financial results for the current period show an exceptional decrease or increase compared to prior periods and expected results for the current year, the auditor may, for example, conclude that materiality is more appropriately determined using a normalised figure for the period.

- A16. The auditor's consideration of materiality, in evaluating the effects of misstatements, is a matter of professional judgement and is affected by the auditor's perception of the financial information needs of users of the financial statements.
- A17. If the applicable financial reporting framework contains a definition of materiality, it will ordinarily provide a frame of reference to the auditor when determining materiality for planning and performing the review.
- A18. The auditor needs, when relevant, to consider materiality from the perspective of both the entity and the consolidated entity.

### **Enquiries, Analytical and Other Review Procedures**

- A19. A review ordinarily does not require tests of the accounting records through inspection, observation or confirmation. Procedures for performing a review of the financial statements ordinarily are limited to making enquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures, rather than corroborating information obtained concerning matters relating to the financial statements. The auditor's understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control, the results of the risk assessments relating to the preceding audit and the auditor's consideration of materiality as it relates to the financial statements, affects the nature and extent of the enquiries made, and analytical and other review procedures applied. (Ref: Para. 17)
- A20. The auditor ordinarily performs the following procedures:
- (a) Reading the minutes of the meetings of shareholders, those charged with governance and other appropriate committees to identify matters that may affect the financial statements, and enquiring about matters dealt with at meetings for which minutes are not available that may affect the financial statements.
  - (b) Considering the effect, if any, of matters giving rise to a modification of the audit or review report, accounting adjustments or unadjusted misstatements, at the time of the previous audit or reviews.
  - (c) Communicating, where appropriate, with other auditors who are performing a review of the financial statements of the entity's significant components.
  - (d) Enquiring of members of management responsible for financial and accounting matters, and others as appropriate, about the following:
    - (i) whether the financial statements have been prepared and presented in accordance with the applicable financial reporting framework;
    - (ii) whether there have been any changes in accounting principles or in the methods of applying them;
    - (iii) whether any new transactions have necessitated the application of a new accounting principle;
    - (iv) whether the financial statements contain any known uncorrected misstatements;
    - (v) unusual or complex situations that may have affected the financial statements, such as a business combination or disposal of a segment of the business;

- (vi) significant assumptions that are relevant to the fair value measurement or disclosures and management's intention and ability to carry out specific courses of action on behalf of the entity;
  - (vii) whether related party transactions have been appropriately accounted for and disclosed in the financial statements;
  - (viii) significant changes in commitments and contractual obligations;
  - (ix) significant changes in contingent assets and contingent liabilities including litigation or claims;
  - (x) compliance with debt covenants;
  - (xi) matters about which questions have arisen in the course of applying the review procedures;
  - (xii) significant transactions occurring in the last several days of the period or the first several days of the next period;
  - (xiii) knowledge of any fraud or suspected fraud affecting the entity involving:
    - management;
    - employees who have significant roles in internal control; or
    - others where the fraud could have a material effect on the financial statements; and
  - (xiv) knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial information communicated by employees, former employees, analysts, regulators or others; and
  - (xv) knowledge of any actual or suspected non-compliance with laws and regulations that could have a material effect on the financial statements. If the auditor becomes aware of any actual or suspected non-compliance with laws and regulations ISA (NZ) 250 (Revised) *Consideration of Laws and Regulations in an Audit of Financial Statements* provides guidance.
- (e) Applying analytical procedures to the financial statements designed to identify relationships and individual items that appear to be unusual and that may reflect a material misstatement in the financial statements. Analytical procedures may include ratio analysis and statistical techniques such as trend analysis or regression analysis and may be performed manually or with the use of computer-assisted auditing techniques. Appendix 2 to this NZ SRE 2410 (Revised) contains examples of analytical procedures the auditor may consider when performing a review of the financial statements.
- (f) Reading the financial statements and considering whether anything has come to the auditor's attention that causes the auditor to believe that the financial statements are not in accordance with the applicable financial reporting framework. (Ref: Para. 17)

A21. The auditor may perform many of the review procedures before or simultaneously with the entity's preparation of the financial statements. For example, it may be practicable to update the understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control, and begin reading applicable minutes before the end of the period. Performing some of the review

procedures earlier in the period also permits early identification and consideration of significant accounting matters affecting the financial statements. (Ref: Para. 17)

- A22. The auditor performing a review of the financial statements is also the auditor of the annual financial statements of the entity. For convenience and efficiency, the auditor may decide to perform certain audit procedures concurrently with the review of the financial statements. For example, information gained from reading the minutes of meetings of the board of directors in connection with the review of the financial statements may also be used for the annual audit. The auditor may decide also to perform, at the time of the review, auditing procedures that would need to be performed for the purpose of the audit of the annual financial statements, for example, performing auditing procedures on:
- (a) significant or unusual transactions that occurred during the period, such as business combinations, restructurings, or significant revenue transactions, or
  - (b) opening balances (when applicable). (Ref: Para. 17)
- A23. A review of financial statements ordinarily does not require corroborating the enquiries about litigation or claims. It is, therefore, ordinarily not necessary to send an enquiry letter to the entity's lawyer. Direct communication with the entity's lawyer with respect to litigation or claims, or alternative procedures, may, however, be appropriate if a matter comes to the auditor's attention that causes the auditor to question whether the financial statements are in accordance with the applicable financial reporting framework. (Ref: Para. 17)
- A24. The auditor may obtain evidence that the financial statements agree or reconcile with the underlying accounting records by tracing the financial statements to:
- (a) the accounting records, such as the general ledger, or a consolidating schedule that agrees or reconciles with the accounting records; and
  - (b) other supporting data in the entity's records as necessary. (Ref: Para. 18)
- A25. The auditor need not perform procedures to identify events occurring after the date of the review report. (Ref: Para. 19)
- A26. Events or conditions which may cast significant doubt on the entity's ability to continue as a going concern may have existed at the date of the annual financial statements, or may be identified as a result of enquiries of management or in the course of performing other review procedures. When such events or conditions come to the auditor's attention, the auditor needs to enquire of those charged with governance as to their plans for future action, such as their plans to liquidate assets, borrow money or restructure debt, reduce or delay expenditures, or increase capital. The auditor needs to enquire also as to the feasibility of the plans of those charged with governance and whether they believe that the outcome of these plans will improve the situation. Ordinarily, the auditor considers, based on procedures performed, whether it is necessary to corroborate the feasibility of the plans of those charged with governance and whether the outcome of these plans will improve the situation. (Ref: Para. 20)
- A27. For example, if the auditor's review procedures lead the auditor to question whether a significant sales transaction is recorded in accordance with the applicable financial reporting framework, the auditor performs additional procedures sufficient to resolve the auditor's questions, such as discussing the terms of the transaction with senior marketing and accounting personnel or reading the sales contract. (Ref: Para. 21)

**Comparatives – First Financial Statements** (Ref: Para. 23)

- A28. When comparative information is included in the first financial statements and the auditor is unable to obtain sufficient appropriate review evidence to achieve the review objective, a limitation on the scope of the review exists and the auditor needs to modify the review report. Ordinarily, a restriction on the scope of the auditor’s work will result in a qualified (“except for”) conclusion. In such cases, ordinarily an auditor encourages clear disclosure in the financial statements, that the auditor has been unable to review the comparatives. ISA (NZ) 510<sup>3</sup> includes illustrative examples that may be useful in circumstances when the comparative information has not been audited or reviewed.
- A29. When comparative information is included in the first financial statements and the auditor believes a material adjustment should be made to the financial statements, under paragraph 41, the auditor needs to modify the review report.
- A30. When an entity has come into existence only within the first financial reporting period, comparative information will not be provided in the first financial statements and no modified review report is required.
- A31. New Zealand Equivalent to International Accounting Standard 1 *Presentation of Financial Statements* provides requirements and explanatory guidance relating to comparative information included in financial statements prepared in accordance with New Zealand Accounting Standards. New Zealand Equivalent to International Financial Reporting Standards 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* provides requirements and guidance relating to comparative information when an entity adopts New Zealand Equivalents to International Financial Reporting Standards for the first time.

**Evaluation of Misstatements** (Ref: Para. 24)

- A32. A review of the financial statements, in contrast to an audit engagement, is not designed to obtain reasonable assurance that the financial statements are free from material misstatement. However, misstatements which come to the auditor’s attention, including inadequate disclosures, need to be evaluated individually and in the aggregate to determine whether a material adjustment is required to be made to the financial statements for them to be prepared, in all material respects, in accordance with the applicable financial reporting framework.
- A33. The auditor needs to exercise professional judgement in evaluating the materiality of any misstatements that the entity has not corrected. Ordinarily, the auditor considers matters such as the nature, cause and amount of the misstatements, whether the misstatements originated in the preceding year or current year, and the potential effect of the misstatements on future interim or annual periods.
- A34. The auditor may designate an amount below which misstatements need not be aggregated, because the auditor expects that the aggregation of such amounts clearly would not have a material effect on the financial statements. In so doing, under paragraph 16, the auditor needs to consider the fact that the determination of materiality involves quantitative as well as qualitative considerations and that misstatements of a relatively small amount could nevertheless have a material effect on the financial statements.

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<sup>3</sup> ISA (NZ) 510 *Initial Audit Engagements - Opening Balances*

## Written Representations

A35. The auditor needs to endeavour to obtain additional representations as are appropriate to matters specific to the entity's business or industry. An illustrative representation letter is set out in Appendix 1. (Ref: Para. 25)

## Auditor's Responsibility for Other Information

A36. An auditor conducting a review engagement under this review standard is not required to comply with ISA (NZ) 720 (Revised)<sup>4</sup>, however ISA (NZ) 720 (Revised) includes guidance which may be useful. ISA (NZ) 720 (Revised) requires an auditor to read the other information that accompanies the financial statements to consider whether there is a material inconsistency with the financial statements. If the auditor identifies a material inconsistency, the auditor needs to consider whether the financial statements or the other information needs to be amended. If an amendment is necessary in the financial statements and those charged with governance refuse to make the amendment, the auditor needs to consider the implications for the review report. If an amendment is necessary in the other information and those charged with governance refuse to make the amendment, the auditor may consider including an Other Information paragraph in the review report and describes the material misstatement. For example, those charged with governance may present alternative measures of earnings that more positively portray financial performance than the financial statements, and such alternative measures are given excessive prominence, or are not clearly defined, or not clearly reconciled to the financial statements such that they are confusing and potentially misleading. (Ref: Para. 27)

A37. While reading the other information for the purpose of identifying material inconsistencies, an apparent material misstatement of fact may come to the auditor's attention (that is, information, not related to matters appearing in the financial statements, that is incorrectly stated or presented). When discussing the matter with the entity's management, ordinarily the auditor considers the validity of the other information and management's responses to the auditor's enquiries, whether valid differences of judgement or opinion exist and whether to request management to consult with a qualified third party to resolve the apparent misstatement of fact. If an amendment is necessary to correct a material misstatement of fact and management refuses to make the amendment, ordinarily the auditor considers taking further action as appropriate, such as notifying those charged with governance and, if necessary, considering the implications for the review report. ISA (NZ) 720 (Revised) includes guidance which may be helpful. (Ref: Para. 28)

## Communication

A38. Communications with management and/or those charged with governance are made as soon as practicable, either orally or in writing. The auditor's decision whether to communicate orally or in writing ordinarily is affected by factors such as the nature, sensitivity and significance of the matter to be communicated and the timing of the communications. If the information is communicated orally, under paragraph 55, the auditor needs to document the communication. (Ref: Para. 30, 32)

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<sup>4</sup> ISA (NZ) 720 (Revised) *The Auditor's Responsibilities Relating to Other Information*



- A39. The determination of which level of management may also be informed is affected by the likelihood of collusion or the involvement of a member of management. (Ref: Para. 32)
- A40. Law or regulation may restrict the auditor'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 auditor is required to report identified or suspected non-compliance with laws and regulation 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. ISA (NZ) 250 (Revised) includes guidance which may be helpful.<sup>5</sup> (Ref. Para 32)
- A41. As a result of performing a review of financial statements, the auditor may become aware of matters that in the opinion of the auditor are both important and relevant to those charged with governance in overseeing the financial reporting and disclosure process. (Ref: Para. 33)

**Reporting the Nature, Extent and Results of the Review of Financial Statements (Ref: Para. 34-522)**

- A42. 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.
- A43. Appendix 3 contains illustrations of the auditor's review reports incorporating the elements in paragraphs 33 to 51. With the exception of the Conclusion and Basis for Conclusion sections, this review standard does not establish requirements for ordering the elements of the auditor's review report. However, this review standard requires the use of specific headings, which are intended to assist in making reports more consistent and recognisable.
- A44. Paragraph 34(f)(i) includes the conclusion required for review of financial statements prepared under a fair presentation framework and a compliance framework. In some cases, law or regulation governing the review of financial statements may prescribe wording for the auditor's conclusion that is different from the wording described in paragraph 34(f). Although the auditor may be obliged to use the prescribed wording, the auditor's responsibilities as described in this NZ SRE 2410 (Revised) for coming to the conclusion remain the same. ISA (NZ) 700 (Revised) includes guidance which may be helpful.<sup>6</sup> Illustrative auditor's review reports are set out in Appendix 3.

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<sup>5</sup> ISA (NZ) 250 (Revised) *Consideration of Laws and Regulations in an Audit of Financial Statements*

<sup>6</sup> ISA (NZ) 700 (Revised) *Forming an Opinion and Reporting on Financial Statements*

**Departure from the Applicable Financial Reporting Framework** (Ref: Para. 42–43)

- A45. ISA (NZ) 705<sup>7</sup> and ISRE (NZ) 2400<sup>8</sup> includes guidance that may be useful when issuing a modified conclusion.
- A46. If matters have come to the auditor’s attention that cause the auditor to believe that the financial statements are or may be materially affected by a departure from the applicable financial reporting framework, and those charged with governance do not correct the financial statements, the auditor needs to modify the review report. If the information that the auditor believes is necessary for adequate disclosure is not included in the financial statements, the auditor needs to modify the review report and, if practicable, include the necessary information in the review report. Illustrative auditor’s review reports with a qualified conclusion are set out in Appendix 3.
- A47. Departures from the applicable financial reporting framework, may result in an adverse conclusion. An illustrative auditor’s review report with an adverse conclusion is set out in Appendix 3.

**Limitation on Scope** (Ref: Para. 44)

- A48. Ordinarily, a limitation on scope prevents the auditor from completing the review.

**Limitation on Scope Imposed by Management**

- A49. The auditor needs to refuse to accept an engagement to review financial statements if the auditor’s preliminary knowledge of the engagement circumstances indicates that the auditor would be unable to complete the review because there will be a limitation on the scope of the auditor’s review imposed by management of the entity. (Ref: Para. 45)
- A50. If, after accepting the engagement, management imposes a limitation on the scope of the review, the auditor needs to request the removal of that limitation. If management refuses to do so, the auditor is unable to complete the review and express a conclusion. In such cases, the auditor needs to communicate, in writing, to the appropriate level of management and those charged with governance, the reason(s) why the review cannot be completed. Nevertheless, if a matter comes to the auditor’s attention that causes the auditor to believe that a material adjustment to the financial statements is necessary for the financial statements to be prepared, in all material respects, in accordance with the applicable financial reporting framework, under paragraphs 28, 29 and 31, the auditor needs to communicate such matters to the appropriate level of management and, where appropriate, those charged with governance. (Ref: Para. 46)
- A51. The auditor needs to consider the legal and regulatory requirements, including whether there is a legal requirement for the auditor to issue a report. If there is such a requirement, the auditor needs to disclaim a conclusion and provide in the review report the reason why the review cannot be completed. However, if a matter comes to the auditor’s attention that causes the auditor to believe that a material adjustment to the financial statements is necessary for the financial statements to be prepared, in all material respects, in accordance with the applicable financial reporting framework the auditor needs to communicate such a matter in the report. (Ref: Para. 47)

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<sup>7</sup> ISA (NZ) 705 (Revised) *Modifications to the Opinion in the Independent Auditor’s Report*

<sup>8</sup> ISRE (NZ) 2400 *Review of Historical Financial Statements Performed by an Assurance Practitioner*

**Other Limitations on Scope Not Imposed by Management** (Ref: Para. 49)

- A52. A limitation on scope may occur due to circumstances other than a limitation on scope imposed by management or those charged with governance. In such circumstances, the auditor is ordinarily unable to complete the review and express a conclusion, and is guided by paragraphs 48 and 51. There may be, however, some rare circumstances where the limitation on the scope of the auditor's work is clearly confined to one or more specific matters that, while material, are not in the auditor's judgement pervasive to the financial statements. In such circumstances, the auditor needs to modify the auditor's review report by indicating that, except for the effects of the matter which is described in the Basis for Qualified Conclusion section of the auditor's review report, the review was conducted in accordance with this NZ SRE 2410 (Revised), and by qualifying the conclusion. Illustrative auditor's review reports with a qualified conclusion are set out in Appendix 3.
- A53. The auditor may have expressed a qualified opinion on the audit of the latest annual financial statements because of a limitation on the scope of that audit. The auditor needs to consider whether that limitation on scope still exists and, if so, the implications for the review report.

**Going Concern and a Material Uncertainty Exists** (Ref: Para. 50-52)

- A54. The auditor may have alerted users to the existence of a material uncertainty relating to an event or condition that casts significant doubt on the entity's ability to continue as a going concern by adding a separate section under the heading "Material Uncertainty Related to Going Concern" to a prior audit or review report. If the material uncertainty still exists and adequate disclosure is made in the financial statements, the auditor needs to continue to alert users by adding a separate section under the heading "Material Uncertainty Related to Going Concern" to highlight the continued material uncertainty.
- A55. If, as a result of enquiries or other review procedures, a material uncertainty relating to an event or condition comes to the auditor's attention that casts significant doubt on the entity's ability to continue as a going concern, and adequate disclosure is made in the financial statements, the auditor alerts users to the existence of a material uncertainty related to going concern in a separate section. ISA (NZ) 570 (Revised) *Going Concern* provides information that the auditor may find helpful in considering going concern in the context of the review engagement.

**Other Considerations**

- A56. The terms of the engagement include agreement by those charged with governance that, where any document containing the financial statements indicates that the financial statements have been reviewed by the entity's auditor, the review report will be also included in the document. If those charged with governance have not included the review report in the document, ordinarily the auditor considers seeking legal advice to assist in determining the appropriate course of action in the circumstances. (Ref: Para. 12)
- A57. If the auditor has issued a modified review report and those charged with governance issue the financial statements without including the modified review report in the document containing the financial statements, ordinarily the auditor considers seeking legal advice to assist in determining the appropriate course of action in the

circumstances, and the possibility of resigning from the appointment to audit the annual financial statements.

*Considerations Specific to Public Sector Entities*

- A58. The auditor needs to communicate the terms of engagement to the entity subject to the review. When communicating the terms of engagement, an engagement letter helps to avoid misunderstandings regarding the nature of the engagement and, in particular, the objective and scope of the review, the responsibilities of those charged with governance, the extent of the auditor’s responsibilities, the assurance obtained, and the nature and form of the report. Law or regulation governing review engagements in the public sector ordinarily mandates the appointment of the auditor. Nevertheless, an engagement letter setting out the matters referred to in paragraph A8 may be useful to both the public sector auditor and the entity subject to the review. Public sector auditors, therefore, consider communicating the terms of a review engagement by way of an engagement letter<sup>9</sup>. (Ref: Para. 12)
- A59. In the public sector, the auditor’s statutory audit obligation may extend to other work, such as a review of interim financial information. Where this is the case, the public sector auditor cannot avoid such an obligation and, consequently, may not be in a position not to accept, or to withdraw from a review engagement. The public sector auditor also may not be in the position to resign from the appointment to audit the annual financial statements. (Ref: Para. 31(b)-31(c))
- A60. The auditor needs to communicate to those charged with governance and consider the implications for the review when a matter comes to the auditor’s attention that causes the auditor to believe in the existence of fraud or actual or suspected non-compliance by the entity with laws and regulations. In the public sector, the auditor may be subject to statutory or other regulatory requirements to report such a matter to regulatory or other public authorities. (Ref: Para. 33)

**Documentation** (Ref: Para. 56)

- A61. The auditor needs to prepare documentation that enables an experienced auditor having no previous connection with the engagement to understand the nature, timing and extent of the enquiries made and analytical and other review procedures applied, information obtained, and any significant matters considered during the performance of the review, including the disposition of such matters.

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<sup>9</sup> Paragraphs A57-A59 are a reproduction of the AUASB’s standard. The External Reporting Board does not have the statutory mandate to formulate auditing and assurance standards for public sector entities, and does not intend this guidance to have mandatory effect. New Zealand amendments have been made to align the text with the New Zealand legal position.

### Example of an Engagement Letter For A Review of Financial Statements

The following letter is to be used as a guide in conjunction with the requirements outlined in paragraph 12-13 of this NZ SRE 2410 (Revised) and will need to be adapted according to individual requirements and circumstances.

To [those charged with governance]:<sup>10</sup>

You have requested that we review the interim financial statements of [name of entity], which comprises the statement of financial position as at 31 December 20XX, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended on that date, and notes comprising significant accounting policies and other explanatory information. We are pleased to confirm our acceptance and our understanding of the terms and objectives of our engagement by means of this letter.

Our review will be conducted in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity*, issued by the New Zealand Auditing and Assurance Standards Board, with the objective of providing us with a basis for reporting whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with the [indicate applicable financial reporting framework, including a reference to the jurisdiction or country of origin of the financial reporting when New Zealand is not the origin of the financial reporting framework]. Such a review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures and does not, ordinarily, require corroboration of the information obtained. The scope of a review of the financial statements is substantially less than the scope of an audit conducted in accordance with International Standards on Auditing (New Zealand) whose objective is the expression of an opinion regarding the financial statements and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we shall express no such opinion. NZ SRE 2410 (Revised) requires us to also comply with the ethical requirements relevant to the audit of the annual financial statements of the entity.

We expect to report on the interim financial statements as follows:

[Include text of sample review report - see Appendix 3 as appropriate.]

The directors [those charged with governance<sup>11</sup>] of the [type of entity] are responsible for the preparation of the interim financial statements in accordance with generally accepted accounting practice in New Zealand and that gives a true and fair view of the matters to which they relate and for such internal control as the directors [those charged with governance] determine is necessary to enable the preparation of the interim financial statements that are free from material misstatement, whether due to fraud or error. As part of our review, we shall request written representations from those charged with governance concerning assertions made in connection with the review. We shall also request that where any document containing the interim financial statements indicates that the interim financial statements have been reviewed, our review report will also be included in the document.

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<sup>10</sup> Insert the appropriate term, such as “Directors’ or ‘Board of Management”.

<sup>11</sup> Insert the appropriate term, such as “Directors or Board of Management”.

The directors [those charged with governance] of the [entity] acknowledge and understand they have responsibility to provide us with:

- i. access to information relevant to the preparation of the financial statements;
- ii. additional information that we may request for the purposes of the review engagement; and
- iii. unrestricted access to persons from whom we determine it is necessary to obtain evidence.

A review of the interim financial statements does not provide assurance that we shall become aware of all significant matters that might be identified in an audit. Further, our engagement cannot be relied upon to disclose whether fraud or errors, or illegal acts exist. However, we shall inform you of any material matters that come to our attention.

**Fees**

[Insert additional information here regarding fee arrangements and billings, as appropriate.]

We look forward to full co-operation with your staff and we trust that they will make available to us whatever records, documentation and other information are requested in connection with our review.

[This letter will be effective for future years unless it is terminated, amended or superseded.<sup>12</sup>]

Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the arrangements for our review of the interim financial statements.

Yours faithfully,  
(signed)

.....

Name and Title

Date

Acknowledged on behalf of [entity] by

(signed)

.....

Name and Title

Date

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<sup>12</sup> Use if applicable.

### Example of a Representation Letter

The following letter is not intended to be a standard letter. It is to be used as a guide only and will need to be adapted according to individual requirements and circumstances.

Representations by those charged with governance will vary from one entity to another and from one period to the next. Representation letters are ordinarily useful where evidence, other than that obtained by enquiry, may not be reasonably expected to be available or when those charged with governance have made oral representations which the auditor wishes to confirm in writing.

[Entity Letterhead]

[Addressee – Auditor]

[Date]

This representation letter is provided in connection with your review of the interim financial statements of [name of entity] for the [period] ended [date], for the purpose of you expressing a conclusion as to whether anything has come to your attention that causes you to believe that the interim financial statements are not, in all material respects, presented fairly in accordance with [applicable financial reporting framework<sup>13</sup>].

We acknowledge our responsibility for ensuring that the interim financial statements are in accordance with [applicable financial reporting framework].

We confirm that the interim financial statements are prepared and presented fairly in accordance with [applicable financial reporting framework] and are free of material misstatements, including omissions].

We confirm, to the best of our knowledge and belief, the following representations made to you during your review.

[Include representations required by this NZ SRE 2410 (Revised) (paragraph 25) and those relevant to the entity. Such representations may include the following examples.]

1. We have made available to you:
  - (a) all financial records and related data, other information, explanations and assistance necessary for the conduct of the review; and
  - (b) minutes of all meetings of [shareholders, directors, committees of directors, Boards of Management].
2. We have disclosed to you the results of our assessment of the risk that the [interim financial statements] may be materially misstated as a result of fraud.
3. There:
  - (a) has been no fraud or suspected fraud, error or non-compliance with laws and regulations involving management or employees who have a significant role in the internal control structure;
  - (b) has been no fraud or suspected fraud, error or non-compliance with laws and regulations that could have a material effect on the financial statements; and

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<sup>13</sup> Specify the applicable financial reporting framework requirements.

- (c) have been no communications from regulatory agencies concerning non-compliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements.
4. We are responsible for an adequate internal control structure to prevent and detect fraud and error and to facilitate the preparation of reliable financial statements. We confirm that adequate accounting records have been maintained and that all material transactions have been recorded properly in the accounting records underlying the financial statements.
  5. We have no plans or intentions that may affect materially the carrying values, or classification, of assets and liabilities.
  6. We have considered the requirements of New Zealand Equivalents to International Accounting Standard 36 *Impairment of Assets*, when assessing the impairment of assets and in ensuring that no assets are stated in excess of their recoverable amount.
  7. We believe the effects of uncorrected misstatements summarised in the accompanying schedule are immaterial, both individually and in the aggregate, to the [interim] financial statements taken as a whole.
  8. The following have been recorded and/or disclosed properly in the [interim] financial statements:
    - (a) related party transactions and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements and guarantees (written or oral);
    - (b) share options, warrants, conversions or other requirements;
    - (c) arrangements involving restrictions on cash balances, compensating balances and line-of-credit or similar arrangements;
    - (d) agreements to repurchase assets previously sold;
    - (e) material liabilities or contingent liabilities or assets including those arising under derivative financial instruments;
    - (f) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements in accordance with the applicable financial reporting framework.
  9. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
  10. We have disclosed to you all information relevant to use of the going concern assumption in the financial statements.
  11. The entity has satisfactory title to all assets, and there are no liens or encumbrances on such assets that have not been disclosed nor has any asset been pledged as collateral. Allowances for depreciation have been adjusted for all important items of property, plant and equipment that have been abandoned or are otherwise unusable.
  12. The entity has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance.



13. There were no material commitments for construction or acquisition of property, plant and equipment or to acquire other non-current assets, such as investments or intangibles, other than those disclosed in the financial statements.
14. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
15. No events have occurred subsequent to the balance sheet date through to the date of this letter that would require adjustment to, or disclosure in, the [interim financial statements].

We understand that your examination was made in accordance with NZ SRE 2410 (Revised) and was, therefore, designed primarily for the purpose of expressing a conclusion on the interim financial statements of [the entity], and that your procedures were limited to those which you considered necessary for that purpose.

Yours faithfully

[Name of signing officer and title]

*Notes:*

*[The above example representation letter may need to be amended in certain circumstances. The following illustrate some of those situations.]*

(a) Exceptions

Where matters are disclosed in the financial statements, the associated representation needs to be amended, for example:

- If a subsequent event has been disclosed, Item 14 (above) could be modified to read:  
“Except as discussed in Note X to the financial statements, no events have occurred .....”
- If the entity has plans that impact the carrying values of assets and liabilities, Item 5 (above) could be modified to read:  
“The entity has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities, except for our plan to dispose of segment X, as disclosed in note Y in the financial statements, which is discussed in the minutes of the meeting of the governing body<sup>14</sup> held on [date]”.

(b) Other Required Information

Certain entities may be required to include other information in the interim financial statements, for example, performance indicators for government entities. In addition to identifying this information and the applicable financial reporting framework in paragraphs 1 and 2 of the example representation letter, an additional paragraph similar to the following may be appropriate:

“The disclosures of key performance indicators have been prepared and presented in conformity with [relevant statutory requirements] and we consider the indicators reported to be relevant to the stated objectives of the [entity]”.

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<sup>14</sup> Insert the appropriate term, such as “Directors or Board of Management”.

(c) Opinions and Representation in the Notes to the Financial Statements

Where the notes to the interim financial statements include opinions and representations by those charged with governance, such matters may be addressed in the representation letter. For example, notes relating to the anticipated outcome of litigation, the intent and ability to hold long-term securities to maturity and plans necessary to support the going concern basis.

(d) Environmental Matters

In situations where there are environmental matters that may, but probably will not, require an outflow of resources, this may be reflected in an addition to Item 9 (above), for example:

“However, the [entity] has received an abatement notice from a local authority or an enforcement order from the Environmental Court that may result in clean up or other costs for the [name] waste disposal site. This matter has been disclosed in Note A in the financial statements and we believe that the disclosure and estimated contingent loss is reasonable based on available information.”

(e) Compliance

If, as part of the review, the auditor is required also to report on the entity’s compliance with laws and regulations, a representation may be appropriate acknowledging that those charged with governance are responsible for the entity’s compliance with applicable laws and regulations and that the requirements have been met. For example, the following paragraph may be added:

“The financial records of the [company, registered scheme or disclosing entity] have been kept so as to be sufficient to enable financial statements to be prepared and reviewed, and other records and registers required by the [applicable legislation] have been kept properly and are up-to-date.”

(f) Other Matters

Additional representations that may be appropriate in specific situations may include the following:

- Justification for a change in accounting policy.
- The work of a management expert has been used.
- Arrangements for controlling the dissemination of the financial statements and review report on the Internet.

### **Analytical Procedures the Auditor May Consider When Performing a Review of Financial Statements**

The analytical procedures carried out in a review of the financial statements are determined by the auditor's judgement. The procedures listed below are for illustrative purposes only. It is not intended that all the procedures suggested apply to every review engagement. This Appendix is not intended to serve as a programme or checklist in the conduct of a review.

Examples of analytical procedures the auditor may consider when performing a review of the financial statements include the following:

- Comparing the financial statements with the financial statements of the immediately preceding period, with the financial statements of the corresponding period of the preceding financial year, with the financial statements that was expected by management for the current period, and with the most recent audited annual financial statements.
- Comparing the current financial statements with anticipated results, such as budgets or forecasts. For example, comparing sources of revenue and the cost of sales in the current financial statements with corresponding information in:
  - (a) budgets, including expected gross margin(s); and
  - (b) financial information for prior periods.
- Comparing the current financial statements with relevant non-financial information.
- Comparing the recorded amounts, or ratios developed from recorded amounts, to expectations developed by the auditor. The auditor develops such expectations by identifying and applying relationships that reasonably are expected to exist based on the auditor's understanding of the entity and of the industry in which the entity operates.
- Comparing ratios and indicators for the current period with those of entities in the same industry.
- Comparing relationships among elements in the current financial statements with corresponding relationships in the financial statements of prior periods, for example, expense by type as a percentage of sales, assets by type as a percentage of total assets, and percentage of change in sales to percentage of change in receivables.
- Comparing disaggregated data. The following are examples of how data may be disaggregated:
  - (a) by period, for example, revenue or expense items disaggregated into quarterly, monthly, or weekly amounts;
  - (b) by product line or source of revenue;
  - (c) by location, for example by component;
  - (d) by attributes of the transaction, for example, revenue generated by designers, architects, or craftsmen; and
  - (e) by several attributes of the transaction, for example, sales by product and month.

**Illustrations of Review Reports—Unmodified and Modified Conclusions**

Example of an Unmodified Auditor's Review Report on Financial Statements

Example of an Auditor's Review Report with a Qualified Conclusion (Except For) for a Departure from the Applicable Financial Reporting Framework

Example of an Auditor's Review Report with a Qualified Conclusion for a Limitation On Scope Not Imposed by Management

Example of an Auditor's Review Report with an Adverse Conclusion for a Departure from the Applicable Financial Reporting Framework

## Example of an Unmodified Auditor's Review Report on Financial Statements

**For purposes of this illustrative report, it is assumed that the auditor has reviewed the interim financial statements of a FMC reporting entity considered to have higher level of public accountability.**

### INDEPENDENT AUDITOR'S REVIEW REPORT

To [Appropriate Addressee]

#### **Report on the Review of the [appropriate title for the Financial Statements]<sup>15</sup>**

##### *Conclusion*

We have reviewed the [period] financial statements of [name of entity], which comprise the statement of financial position as at [date], and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the [period] ended on that date, and a summary of significant accounting policies and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying [period] financial statements of [name of entity] do not present fairly, in all material respects, [or “give a true and fair view of<sup>16</sup>”] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] ended on that date, in accordance with [applicable financial reporting framework]<sup>17</sup>.

*or*

*Based on our review, nothing has come to our attention that causes us to believe that the accompanying [period] financial statements of [name of entity] are not prepared, in all material respects, in accordance with [applicable financial reporting framework]<sup>18</sup>.*

##### *Basis for Conclusion*

We conducted our review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Statements* section of our report. We are independent of the [entity] in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements. Other than in our capacity as assurance practitioner we have no relationship with, or interests in, [name of entity].

##### *[Title of those charged with governance] Responsibility for the [period] Financial Statements*

The [title of those charged with governance] of the [type of entity] are responsible, on behalf of the [entity], for the preparation *[and fair presentation]* of the [period] financial statements in accordance with the [applicable financial reporting framework] and for such internal control as the [those charged with governance] determine is necessary to enable the preparation *[and*

<sup>15</sup> The sub-title “Report on the Review of the [Financial Statements]” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

<sup>16</sup> ISA (NZ) 700 (Revised) *Forming an Opinion and Reporting on Financial Statements*, contains information on the wording of reports that may be helpful.

<sup>17</sup> This conclusion is appropriate where a fair presentation framework has been used.

<sup>18</sup> This conclusion is appropriate where a compliance framework has been used.

*fair presentation*] of the [period] financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibilities for the Review of the Financial Statements*

Our responsibility is to express a conclusion on the [period] financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the [period] financial statements, taken as a whole, are not prepared in all material respects, in accordance with the [applicable financial reporting framework].

A review of [period] financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on those [period] financial statements.

**Report on Other Legal and Regulatory Requirements**

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

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

[Auditor's signature]<sup>19</sup>

[Date of the review report]<sup>20</sup>

[Auditor's address]

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<sup>19</sup> The auditor's review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor, as appropriate.

<sup>20</sup> The date of the auditor's review report is the date the auditor signs the report.

## Example of an Auditor's Review Report with a Qualified Conclusion (Except For) For a Departure From the Applicable Financial Reporting Framework

### INDEPENDENT AUDITOR'S REVIEW REPORT

[Appropriate Addressee]

#### Report on the Review of [appropriate title for the financial statements]<sup>21</sup>

##### *Qualified Conclusion*

We have reviewed the [period] financial statements of [name of entity], which comprise the statement of financial position as at [date], and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the [period] ended on that date, and a summary of significant accounting policies and other explanatory information.

Based on our review, with the exception of the matter described in the *Basis for Qualified Conclusion* section of our report, nothing has come to our attention that causes us to believe that the accompanying [period] financial statements of [name of entity] do not present fairly, in all material respects, [or "give a true and fair view of"<sup>22</sup>] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].<sup>23</sup>

or

*Based on our review, with the exception of the matter described in the Basis for Qualified Conclusion section of our report, nothing has come to our attention that causes us to believe that the accompanying [period] financial statements of [name of entity] are not prepared, in all material respects, in accordance with [applicable financial reporting framework]<sup>24</sup>.*

##### *Basis for Qualified Conclusion*

Based on information provided to us by management, [name of entity] has excluded *from* property and long-term debt certain lease obligations that we believe should be capitalised to conform with [indicate applicable financial reporting framework]. This information indicates that if these lease obligations were capitalised at 31 December 20XX, property would be increased by \$\_\_\_\_\_, long-term debt by \$\_\_\_\_\_, and net income and earnings per share would be increased (decreased) by \$\_\_\_\_\_ and \$\_\_\_\_\_ respectively for the [period] ended on that date.

We conducted our review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Statements* section of our report. We are independent of the [entity] in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements.

<sup>21</sup> The sub-title "Report on the Review of the [Financial Statements]" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

<sup>22</sup> ISA (NZ) 700 (Revised) *Forming an Opinion and Reporting on Financial Statements*, contains information on the wording of reports that may be helpful.

<sup>23</sup> This conclusion is appropriate where a fair presentation framework has been used.

<sup>24</sup> This conclusion is appropriate where a compliance framework has been used.

Other than in our capacity as assurance practitioner we have no relationship with, or interests in, [name of entity].

*[Title of those charged with governance] Responsibility for the [period] Financial Statements*

The [title of those charged with governance] of the [type of entity] are responsible, on behalf of the entity, for the preparation *[and fair presentation]* of the [period] financial statements in accordance with the [applicable financial reporting framework] and for such internal control as the directors [those charged with governance] determine is necessary to enable the preparation *[and fair presentation]* of the [period] financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibilities for the Review of the Financial Statements*

Our responsibility is to express a conclusion on the [period] financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the [period] financial statements are not prepared, in all material respects, in accordance with the [applicable financial reporting framework].

A review of [period] financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on those [period] financial statements.

**Report on Other Legal and Regulatory Requirements**

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

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

[Auditor's signature]<sup>25</sup>

[Date of the review report]<sup>26</sup>

[Auditor's address]

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<sup>25</sup> The auditor's review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor, as appropriate.

<sup>26</sup> The date of the auditor's review report is the date the auditor signs the report.



## Example of an Auditor’s Review Report with a Qualified Conclusion For a Limitation on Scope Not Imposed by Management or Those Charged with Governance

### INDEPENDENT AUDITOR’S REVIEW REPORT

To [Appropriate Addressee]

#### Report on the Review of [appropriate title for the financial statements]<sup>27</sup>

##### *Qualified Conclusion*

We have reviewed the [period] financial statements of [name of entity], which comprises the statement of financial position as at [date], and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the [period] ended on that date, and a summary of significant accounting policies and other explanatory information.

Except for the adjustments to the [period] financial statements that we might have become aware of had it not been for the situation described above, based on our review nothing has come to our attention that causes us to believe that the accompanying [period] financial statements of [name of entity] does not present fairly, in all material respects, [or “give a true and fair view of<sup>28</sup>”] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].<sup>29</sup>

*or*

*Except for the adjustments to the [period] financial statements that we might have become aware of had it not been for the situation described above, based on our review, nothing has come to our attention that causes us to believe that the accompanying [period] financial statements of [name of entity] are not prepared, in all material respects, in accordance with [applicable financial reporting framework]<sup>30</sup>.*

##### *Basis for Qualified Conclusion*

As a result of a fire in a branch office on [date] that destroyed its accounts receivable records, we were unable to complete our review of accounts receivable totalling \$\_\_\_\_\_ included in the [period] financial statements. The [entity] is in the process of reconstructing these records and is uncertain as to whether these records will support the amount shown above and the related allowance for uncollectible accounts. Had we been able to complete our review of accounts receivable, matters might have come to our attention indicating that adjustments might be necessary to the [period] financial statements.

We conducted our review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor’s Responsibilities for the Review of the Financial Statements* section of our report. We are independent of the [entity] in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we fulfilled our other ethical responsibilities in accordance with these ethical requirements. Other

<sup>27</sup> The sub-title “Report on the Review of the [Financial Statements]” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

<sup>28</sup> ISA (NZ) 700 (Revised) *Forming an Opinion and Reporting on Financial Statements*, contains information on the wording of reports that may be helpful.

<sup>29</sup> This conclusion is appropriate where a fair presentation framework has been used.

<sup>30</sup> This conclusion is appropriate where a compliance framework has been used.

than in our capacity as assurance practitioner we have no relationship with, or interests in, [name of entity].

*[Title of those charged with governance] Responsibility for the [period] Financial Statements*

The [title of those charged with governance] of the [type of entity] are responsible, on behalf of the entity, for the preparation *[and fair presentation]* of the [period] financial statements in accordance with the [applicable financial reporting framework] and for such internal control as the directors [those charged with governance] determine is necessary to enable the preparation *[and fair presentation]* of the [period] financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibilities for the Review of the Financial Statements*

Our responsibility is to express a conclusion on the [period] financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the [period] financial statements, taken as a whole, are not prepared, in all material respects, in accordance with the [applicable financial reporting framework].

A review of [period] financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on those [period] financial statements.

**Report on Other Legal and Regulatory Requirements**

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

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

[Auditor's signature<sup>31</sup>]

[Date of the review report]<sup>32</sup>

[Auditor's address]

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<sup>31</sup> The auditor's review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor, as appropriate.

<sup>32</sup> The date of the auditor's review report is the date the auditor signs the report.

## Example of an Auditor’s Review Report With an Adverse Conclusion For a Departure From the Applicable Financial Reporting Framework

### INDEPENDENT AUDITOR’S REVIEW REPORT

To [Appropriate Addressee]

#### Report on the Review of [appropriate title for the financial statements]<sup>33</sup>

##### *Adverse Conclusion*

We have reviewed the [period] financial statements of [name of entity], which comprise statement of financial position as at [date], and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the [period] ended on that date, and summary of significant accounting policies and other explanatory information.

Based on our review, because of the significance of the matter described in the *Basis for Adverse Conclusion* section of our report, the accompanying [period] financial statements of [name of entity] do not present fairly, in all material respects, [or “give a true and fair view of<sup>34</sup>”] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].<sup>35</sup>

*or*

*Based on our review, because of the significance of the matter described in the Basis for Adverse Conclusion section of our report, the accompanying [period] financial statements of [name of entity] are not prepared, in all material respects, in accordance with [applicable financial reporting framework]<sup>36</sup>.*

##### *Basis for Adverse Conclusion*

As explained in Note X, commencing this period, [title of those charged with governance] of the [entity] ceased to consolidate the financial statements of its subsidiary companies since [title of those charged with governance] considers consolidation to be inappropriate because of the existence of new substantial non-controlling interests. This is not in accordance with [applicable financial reporting framework]. Had consolidated financial statements been prepared, virtually every account in the financial statements would have been materially different. The effects on the financial statements of the failure to consolidate have not been determined.

We conducted our review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor’s Responsibilities for the Review of the Financial Statements* section of our report. We are independent of the [entity] in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Other

<sup>33</sup> The sub-title “Report on the Review of the [Financial Statements]” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

<sup>34</sup> ISA (NZ) 700 (Revised) *Forming an Opinion and Reporting on Financial Statements*, contains information on the wording of reports that may be helpful.

<sup>35</sup> This conclusion is appropriate where a fair presentation framework has been used.

<sup>36</sup> This conclusion is appropriate where a compliance framework has been used.

than in our capacity as assurance practitioner we have no relationship with, or interests in, [name of entity].

*[Title of those charged with governance] Responsibility for the [period] Financial Statements*

The [title of those charged with governance] of the [type of entity] are responsible, on behalf of the entity, for the preparation *[and fair presentation]* of the [period] financial statements in accordance with the [applicable financial reporting framework] and for such internal control as the directors [those charged with governance] determine is necessary to enable the preparation *[and fair presentation]* of the [period] financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibilities for the Review of the Financial Statements*

Our responsibility is to express a conclusion on the [period] financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the [period] financial statements are not prepared, in all material respects, in accordance with the [applicable financial reporting framework].

A review of [period] financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on those [period] financial statements.

**Report on Other Legal and Regulatory Requirements**

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

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

[Auditor's signature<sup>37</sup>]

[Date of the review report]<sup>38</sup>

[Auditor's address]

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<sup>37</sup> The auditor's review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor, as appropriate.

<sup>38</sup> The date of the auditor's review report is the date the auditor signs the report.

## **Amendments to Other Pronouncements**

*This appendix sets out amendments to other pronouncements issued by the XRB or the NZAuASB that are as a consequence of the issuance of ISRE (NZ) 2410 (Revised). Amended paragraphs are shown with the new text underlined and deleted text struck through.*

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

In Appendix 3, Review Engagement Standards

NZ SRE 2410 (Revised)      Review of Financial Statements Performed by the  
Independent Auditor of the Entity.

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

This conformity statement accompanies but is not part of NZ SRE 2410 (Revised).

**Conformity with International Standards on Review Engagements and comparison to the Australian Auditing Standard on Review Engagements 2410**

The International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC), has issued International Standard on Review Engagements (ISRE) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

ISRE 2410 has not been drafted in “clarity” format by the IAASB.

In Australia, the Australian Auditing and Assurance Standards Board (AUASB) has issued Auditing Standard on Review Engagements (ASRE) 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*.

ASRE 2410 is in the “clarity” format. ASRE 2410 conforms with ISRE 2410.

This NZ SRE 2410 (Revised) is harmonized with ASRE 2410, but has been amended with the addition of requirements and application material.

This NZ SRE 2410 (Revised) is effective for reviews of financial statements for periods ending on or after December 31, 2020. The effective date differs from the international and Australian standards’ effective dates.

Generally, when the text of an International Standard is modified by the NZAuASB as part of its due process, additional or modified paragraphs are identified through the use of an “NZ” prefix. Due to the extensive number of modifications, this standard is issued as a domestic standard, and additional or modified paragraphs are not identified by the use of a “NZ” prefix. The comparison that follows indicates the differences between this NZ SRE 2410 (Revised) and both ISRE 2410 and ASRE 2410.

NZ SRE 2410 (Revised) contains the following requirements that are not contained in ISRE 2410 or ASRE 2410:

- The auditor shall comply with the engagement quality management requirements of ISA (NZ) 220 (Revised)<sup>39</sup> when performing a review in accordance with this NZ SRE 2410. (Paragraph 10)
- The auditor shall endeavor to obtain written representations from those charged with governance that they have disclosed to the auditor all information relevant to the use of the going concern assumption in the financial statements. (paragraph 25(h))
- A statement as to the existence of any relationship (other than that of assurance practitioner) which the assurance practitioner has with, or any interests which the assurance practitioner has in, the entity or any of its subsidiaries. (Paragraph 36(d)).

NZ SRE 2410 (Revised) has amended references to management to refer to those charged with governance in the following requirements:

- Preconditions for a Review (paragraph 12)

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<sup>39</sup> ISA (NZ) 220 (Revised), *Quality Management for an Audit of Financial Statements*

- Agreement on Review Engagement Terms (paragraph 13)
- Written Representations (paragraph 25)
- Review report section on “Responsibilities of Those Charged with Governance” (paragraph 37)

NZ SRE 2410 and ASRE 2410 contain the following requirements that are not contained or have been expanded from ISRE 2410:

- The auditor shall, prior to agreeing the terms of the engagement, determine whether the financial reporting framework is acceptable and obtain agreement from those charged with governance, that they acknowledge and understand their responsibility:
  - For the preparation of the financial statements including where relevant their fair presentation;
  - For such internal controls as management and those charged with governance deem necessary to enable the preparation of the financial statements that are free from material misstatement; and
  - To provide the auditor with:
    - access to information relevant to the preparation of the financial statements;
    - additional information that the auditor may request for the purposes of the review engagement; and
    - unrestricted access to persons from whom the auditor determines it necessary to obtain evidence. (Ref: Para 12)
- The auditor shall agree the terms of the engagement with those charged with governance, which shall be recorded in writing by the auditor and forwarded to the entity. When the review engagement is undertaken pursuant to legislation, the minimum applicable terms are those contained in the legislation. (Ref: Para 13)
- The auditor shall consider materiality, using professional judgement, when:
  - determining the nature, timing and extent of review procedures; and
  - evaluating the effect of misstatements (Ref: Para. 16).
- When comparative information is included for the first time in the financial statements, an auditor shall perform similar procedures on the comparative information as applied to the current period financial statements (Ref: Para. 23).
- If those charged with governance refuse to provide a written representation that the auditor considers necessary, this constitutes a limitation on the scope of the auditor’s work and the auditor shall express a qualified conclusion or a disclaimer of conclusion, as appropriate. (Ref: Para 26)
- When, as a result of performing the review of the financial statements, a matter comes to the auditor’s attention that indicates the existence of fraud or non-compliance with laws and regulations, or suspected fraud or non-compliance with laws and regulations, has occurred in the entity, the auditor shall:
  - Communicate the matter, unless prohibited by law or regulation, as soon as practicable with those charged with governance;

- Request management's assessment of the effect(s), if any, on the financial statements;
- Consider the effect on the auditor's conclusion and the review report; and
- Determine whether law, regulation or relevant ethical requirements:
  - Require the auditor to report to an appropriate authority outside the entity.
  - Establish responsibilities under which reporting to an appropriate authority outside the entity may be appropriate in the circumstances. (Ref: Para 32)
- The following paragraphs contain requirements in relation to the auditor's review report that are in addition or differ from ISRE 2410:
  - Paragraphs 34 to 41 relate to the content and order of the auditor's review report
  - Paragraphs 42 and 43 relate to departure from the applicable financial reporting framework
  - Paragraphs 45 to 49 relate to Limitation on Scope Imposed by Management
  - Paragraphs 50 to 52 relate to Going Concern and A Material Uncertainty Exists
  - Paragraphs 53 to 55 relate to emphasis of matter and other matter paragraphs
- This NZ SRE 2410 (Revised) includes explanatory guidance not contained within ISRE 2410 on:
  - Materiality (Ref: Para.A14 to A18); and
  - Comparatives (Ref: Para.A28 to A31).

NZ SRE 2410 and ISRE 2410 contain the following requirements that are not contained in ASRE 2410:

- This NZ SRE 2410 is directed towards a review of financial statements by an entity's auditor. This NZ SRE 2410 is to be applied, adapted as necessary, when an entity's auditor undertakes an engagement to review historical financial information other than financial statements of an audit client. (Paragraph 4)

ASRE 2410 contains the following requirements that are not contained in ISRE 2410 or NZ SRE 2410:

The AUASB has decided that:

- due to the nature of reviews of other historical financial information, a separate Standard is more appropriate than ASRE 2410 being adapted by the auditor for this purpose; and
- ASRE 2405 *Review of Historical Financial Information Other than a Financial Report*, developed by the AUASB, deals with reviews of other historical financial information.

There is no equivalent to ASRE 2405 in New Zealand or internationally. NZ SRE 2410 is to be applied, adapted as necessary, when an entity's auditor undertakes an engagement to review historical financial information other than financial statements of an audit client.

- This Auditing Standard applies to:



- (a) a review, by the independent auditor of the entity, of a financial report for a half-year in accordance with the *Corporations Act 2001*; and
- (b) a review, by the independent auditor of the entity, of a financial report, or a complete set of financial statements, comprising historical financial information, for any other purpose (Ref: Para. 1(a) and (b)).
- Where in rare and exceptional circumstances, factors outside the auditor's control prevent the auditor from complying with an essential procedure contained within a relevant requirement, the auditor shall:
  - if possible, perform appropriate alternative procedures; and
  - document in the working papers:
    - the circumstances surrounding the inability to comply;
    - the reasons for the inability to comply; and
    - justification of how alternative procedures achieve the objectives of the requirement.

When the auditor is unable to perform appropriate alternative procedures, the auditor shall consider the implications for the review report.

#### Other amendments

New Zealand terminology has been adopted throughout the standard. NZ SRE 2410 (Revised) has defined financial statements and applicable financial reporting framework consistently with the definitions in the International Standards on Auditing (New Zealand). These definitions are not included in ISRE 2410 and differ in the Australian ASRE 2410.

This NZ SRE 2410 provides illustrative examples that differ in form and content from those contained in ISRE 2410 and ASRE 2410, namely:

- An engagement letter (Appendix 1).
- A written representation letter (Appendix 1).
- Illustrative review reports (Appendices 3).