

Auditor-General's Auditing Standard 7

Other Auditing Services

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Introduction

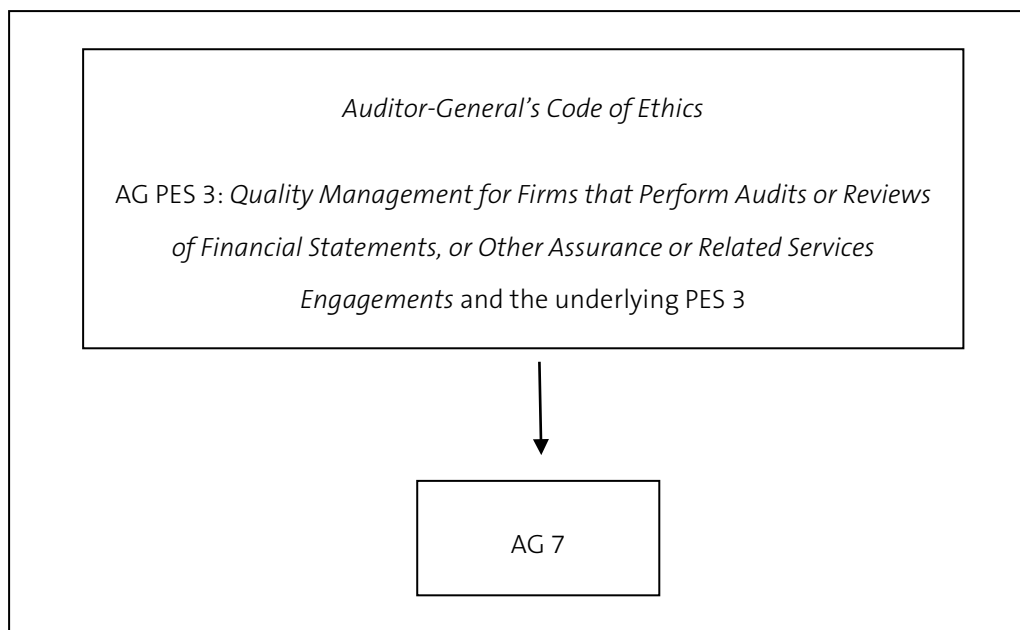
Scope of this Standard

1. This Auditor-General's Auditing Standard (the Standard) establishes principles to be followed, establishes requirements, and provides application guidance, where appropriate, for the Auditor-General, the Deputy Auditor-General, and employees of the Auditor-General for all other auditing services carried out under section 17 of the Public Audit Act 2001 (the Act).
2. Section 17 of the Act is headed "Other auditing services" and states:
"The Auditor-General may, with the agreement of a public entity, perform for that entity any services of a kind that it is reasonable and appropriate for an auditor to perform."
3. Section 17 gives the Auditor-General statutory authority to accept and carry out other auditing services for public entities.
4. The *Auditor-General's Code of Ethics* (the Code) and the accompanying *Guide* place conditions on the nature and scope of other auditing services that can be carried out by the Auditor-General, to protect the Auditor-General's independence. The conditions are explained in paragraph 14.

Application

5. Compliance with this Standard is mandatory for the Auditor-General, the Deputy Auditor-General, and employees of the Auditor-General (referred to as "the auditor" in this Standard).
6. This Standard recognises that more appropriate standards may apply to other auditing services, depending on their nature. For example, the subject of the other auditing service may be to provide assurance on a public entity's greenhouse gas emissions. In this instance the auditor will apply the International Standard on Assurance Engagements (New Zealand) 3410: *Assurance Engagements on Greenhouse Gas Statements*, or its successor standard. If there are conflicting requirements between this Standard and a more appropriate standard, then the requirements of the more appropriate standard shall generally apply.
7. The relationship between this Standard and the other Auditor-General's auditing standards that directly relate to other auditing services is explained in Figure 1.

Figure 1 – Application of the Auditor-General’s Auditing Standards



8. This Standard applies to all other auditing services engagements that are accepted on or after 1 April 2023.

Objectives

9. The objective of the auditor is to carry out other auditing services in compliance with this Standard so that:
- (a) conclusions are formed based on sufficient and appropriate evidence; and
 - (b) findings, conclusions and recommendations are clearly communicated.

Principles

10. Other auditing services are required to be carried out in accordance with the following principles of the Code:
- (a) integrity;
 - (b) objectivity;
 - (c) professional competence and due care;
 - (d) confidentiality; and
 - (e) professional behaviour.

Definitions

11. For the purpose of this Auditor-General's Auditing Standard the terms listed below have the following meanings:

Audited entity	Means a public entity (or entities), as defined in section 5 of the Act, that is responsible for the subject matter of the other auditing services.
Auditor	Means the Auditor-General, the Deputy Auditor-General, and employees of the Auditor-General.
Other auditing services	Means a service described in section 17 of the Act.
Relevant party	Means any party, other than the audited entity, who, in the opinion of the auditor, may be directly affected by, and/or may have information material to the other auditing services.
Terms of the engagement	Means the documentation specifying the nature and scope of other auditing services that have been agreed with a public entity.

Requirements

Applying the principles

12. The auditor shall apply the principles of the Code that are summarised in paragraph 10 when carrying out other auditing services (Ref: Para. A1).

Applying quality management procedures

13. The auditor shall apply quality management procedures in accordance with the Auditor-General's Statement Professional and Ethical Standard 3: *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* (AG PES 3) and the underlying PES 3 issued by the New Zealand Auditing and Assurance Standards Board.

Determining whether other auditing services should be accepted

14. The auditor shall comply with the conditions in the Code and in the accompanying *Guide* when determining whether other auditing services should be accepted. The conditions are that:
- (a) Auditors are required to recognise and understand the relationships that exist between different public entities before engaging with a public entity to carry out other auditing services. The auditor needs to be aware that accepting other auditing services with one public entity might compromise the auditor's (and the Auditor-General's) objectivity in relation to another public entity,
 - (b) Other auditing services are to be limited to "work of an assurance nature".
 - (c) Auditors are required to obtain the explicit agreement of the public entity, before accepting the engagement, and to inform the public entity that:
 - the results of the work will be made available to the Office of the Auditor-General; and
 - any matters brought to the attention of the Auditor-General may be publicly reported in accordance with section 30 of the Act.
 - (d) Where the amount of other auditing services becomes significant when compared to the amount of the audit fee, the application of the reasonable and informed third party test may require that other auditing services may need to be declined or deferred.
 - (e) Auditors are required to consult with the Office of the Auditor-General before accepting other auditing services where the subject matter of the engagement is of possible media or political interest or is sensitive in nature.
 - (f) Public disclosure of the nature of other auditing services and the fees associated with the engagement is required. Public disclosure is a consequence of the proper application of the reasonable and informed third party test.
15. Auditors shall comply with any additional instructions issued by the Office of the Auditor-General that govern the acceptance and conduct of other auditing services.

The terms of the engagement (Ref: Paras A2-A4)

16. The terms of the engagement for other auditing services shall be:
- (a) developed in accordance with the requirements of this Standard, together with any instructions issued by the Office of the Auditor-General; and
 - (b) agreed with the audited entity.
17. Where the auditor and the audited entity agree that the engagement shall be carried out in accordance with a particular standard, that is deemed to be fit-for-purpose for the engagement, the terms of the engagement shall specifically refer to that standard.

18. The auditor shall communicate the terms of the engagement in writing to the audited entity and shall obtain written acknowledgement that the audited entity has agreed to those terms.

Planning the engagement

19. The auditor shall plan the engagement so that it will be performed effectively (Ref: Paras. A5-A6).
20. Acknowledging that the context for other auditing services can vary, the auditor shall consider materiality and any significant risks, as appropriate, when planning and carrying out the engagement (Ref: Paras. A7-A8).

Obtaining and substantiating evidence (Ref: Paras. A9-A12)

21. The auditor shall obtain sufficient appropriate evidence on which to base the auditor's findings, recommendations, and, where appropriate, conclusions.
22. The auditor shall evaluate the evidence obtained from the procedures performed as a basis for clearly expressing the auditor's findings, recommendations, and, where appropriate, conclusions.
23. If the Auditor has identified information that is inconsistent with the Auditor's final conclusions regarding a significant matter, the Auditor shall document how they addressed the inconsistency in forming their findings, recommendations, and, where appropriate, conclusions.
24. Where appropriate to the circumstances of the engagement, the auditor shall seek comment from the audited entity and the relevant party (where appropriate) on the following matters:
 - (a) the factual accuracy of the auditor's findings, recommendations, and, where appropriate, conclusions;
 - (b) whether any facts material to the auditor's findings, recommendations, and, where appropriate, conclusions have been omitted; and
 - (c) the balance and fairness of the auditor's findings, recommendations, and, where appropriate, conclusions.
25. When feedback has been sought from the audited entity and the relevant party (where appropriate) on the auditor's findings, recommendations, and, where appropriate, conclusions, the auditor shall consider such feedback and make changes that the auditor considers necessary to achieve a report that is factually accurate and also balanced and fair.
26. If relevant to the engagement, the auditor shall consider the effect of events occurring:

- (a) between the period subject to the engagement (if the engagement relates to a specific period) and the release of the auditor's findings, recommendations, and, where appropriate, conclusions; or
- (b) between the completion of the formal evidence-gathering procedures and the release of the auditor's findings, recommendations, and, where appropriate, conclusions.

Documentation (Ref: Para. A13)

27. The auditor shall prepare documentation for filing on a timely basis that is sufficient and appropriate to provide:
- (a) a basis for the auditor's findings, recommendations, and, where appropriate, conclusions; and
 - (b) evidence that the engagement was carried out in accordance with this Standard and/or other specific standards that are relevant to the engagement.

Reporting

28. The final report shall contain a clear expression of the auditor's findings, recommendations, and, where appropriate, conclusions.
29. The auditor shall report significant matters that come to their attention during the engagement to those charged with governance of the audited entity and to the relevant party (where appropriate), in writing and in a timely manner.
30. The auditor shall provide a copy of the final report to the Sector Manager at the Office of the Auditor-General (Ref: Para. A14).

Identification of additional matters for follow-up

31. The auditor shall consider whether any matters that have come to their attention (and that are outside the terms of the engagement) are of relevance to the Auditor-General.
32. The auditor shall refer relevant matters to the relevant Sector Manager in the Office of the Auditor-General for follow-up.

Communication of other matters arising during the engagement (Ref: Para. A15)

33. The auditor shall consider any other reporting obligations to regulators and other parties in relation to matters identified during the engagement.

Application and other explanatory material

Applying the principles (Ref: Para. 12)

- A1. Auditors may also need to comply with an ethical code (or equivalent) that applies to them because they are members of a profession or occupational group other than Chartered Accountants Australia and New Zealand or a professional accounting body of equivalent standing. Where a conflict arises, or may arise, because of a conflict between the Code and any other ethical code (or equivalent) that the auditor is required to comply with, then the auditor is expected to raise the actual or perceived conflict with the individual ultimately responsible for the engagement with a view to resolving the conflict.

Terms of engagement (Ref: Paras. 16-18)

- A2. The Auditor-General is sometimes requested to carry out work where the terms of the engagement are prescribed by other parties. Such work should not be accepted where the terms of the engagement have been scoped inappropriately and will possibly result in an incomplete or distorted report. A suitable amendment to the terms of the engagement may enable the auditor to carry out the engagement.
- A3. If there is any doubt as to whether an engagement should be accepted, the auditor should jointly consider acceptance with the Office of the Auditor-General.
- A4. On occasions, it may be necessary to revise the terms of engagement. Other than for minor and inconsequential changes, the same or a similar process should be followed as the process used in determining the original terms of engagement.

Planning the engagement (Ref: Paras. 19-20)

- A5. The auditor should plan and carry out the engagement with professional scepticism, recognising that circumstances may exist that cause the audited entity and the relevant party (where appropriate) to portray the matter in a favourable (or unfavourable) light.
- A6. The auditor should obtain an understanding of the entity or activity, the subject matter of the engagement (including any supporting policies, systems, and processes), and other relevant information. This understanding should be sufficient to identify and assess the key risks surrounding the engagement, and sufficient to design and carry out evidence-gathering procedures.
- A7. A matter would be considered material if, in the auditor's judgement, it is significant to users' overall understanding of the auditor's findings, recommendations, and, where appropriate, conclusions.

- A8. Considering materiality requires the auditor to understand and assess what factors are likely to influence users' understanding of the auditor's findings, recommendations, and, where appropriate, conclusions. Auditors should use their judgement to assess whether matters are material. A matter may be considered to be material if it:
- (a) indicates a serious threat to, or lack of, financial viability of a public entity or an activity;
 - (b) indicates that a public entity or an activity is not achieving, or is unlikely to achieve, its objectives;
 - (c) undermines basic accountability arrangements of a public entity or an activity;
 - (d) is outside the capacity of, or undermines the purpose of, a public entity or an activity;
 - (e) represents a significant abuse or misuse of powers conferred by Parliament;
 - (f) calls into question the probity of a major part or all of a public entity or activity;
 - (g) relates to an activity that could be of significant interest to the public;
 - (h) affects public health and safety;
 - (i) has disadvantaged the public (for example, through actual or opportunity cost to the taxpayer or ratepayer); or
 - (j) indicates a significant departure from an industry or generally accepted standard of good practice.

Obtaining and substantiating evidence (Ref: Paras. 21-25)

- A9. Where appropriate, the auditor should give the audited entity and/or the relevant party the opportunity to provide information relevant to the engagement. Providing this opportunity is essential to ensuring that a fair process is followed in obtaining evidence.
- A10. When the work of experts is used, the auditor should:
- (a) ensure that the expert is independent or, if independence in fact or in appearance cannot be achieved, take measures to ensure the work of the expert is objective and unbiased – for instance, the auditor may need to engage their own expert to assess the work carried out by an expert employed or engaged by an audited entity;
 - (b) specify, in writing, the following matters with the expert:
 - the nature, scope, and objectives of that expert's work;
 - the respective roles of the auditor and that expert; and
 - the nature, timing, and extent of communication between the auditor and that expert, including the form of any report to be provided by that expert;
 - (c) adopt appropriate quality management procedures covering the work of any experts the auditor engages in the collection and evaluation of evidence; and

- (d) be involved in and understand the work for which the expert is used, to an extent sufficient to:
- obtain sufficient appropriate evidence that the expert's work is adequate for the purpose of the engagement; and
 - be able to accept responsibility for the findings, recommendations, and, where appropriate, conclusions expressed in the expert's report.
- A11. The auditor should not attempt to limit or reduce their findings by including reference in those findings to their dependence on the work that may have been carried out by an expert. This is because the auditor should have formed a view on the work of the expert in accordance with paragraph A10.
- A12. Where the engagement involves subject matter that can only be appropriately audited or examined by an expert, the auditor may disclose details of the expert's work, including the name of the expert, in order to add credibility to the report. However, the auditor should not refer to the expert in the auditor's findings, recommendations, and, where appropriate, conclusions.

Documentation (Ref: Para. 27)

- A13. The Auditor should document discussions of significant matters, including when and with whom the discussions took place.

Reporting (Ref: Para. 30)

- A14. The auditor should aim to provide the copy of the final report to the Sector Manager at the Office of the Auditor-General in a timely manner. It is expected that the Sector Manager at the Office of the Auditor-General will provide a copy of the report to the Appointed Auditor of the audited entity.

Communication of other matters arising during the engagement (Ref: Para. 33)

- A15. Any reporting to regulators and/or other third parties should only be carried out following consultation with the Assistant Auditor-General – Legal, Policy and Inquiries.