

# AG ISA (NZ) 700

The Auditor-General's Statement on  
Forming an Opinion and Reporting on  
Financial and Performance Information

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CONTROLLER AND AUDITOR-GENERAL

Tumuaki o te Mana Arotake

# AG ISA (NZ) 700

## The Auditor-General's Statement on Forming an Opinion and Reporting on Financial and Performance Information

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# Introduction

## At a glance

This standard differs from the [underlying standard ISA \(NZ\) 700 \(XRB website\)](#) in that:

- you need to follow the audit report templates prepared by the OAG; and
- audit reports you are seriously considering modifying for a pervasive matter or propose including an “emphasis of matter” or “other matter” paragraph need to be referred to the OAG before issuing the audit report. Exceptions to this general rule apply when the OAG provides prior authority to issue audit reports containing modifications or “emphasis of matter” or “other matter” paragraphs.

## Scope of this Statement

1. This Auditor-General’s Auditing Statement:
  - (a) establishes the Auditor-General’s requirements in relation to [ISA \(NZ\) 700 \(Revised\) Forming an Opinion and Reporting on Financial Statements](#) (ISA (NZ) 700);<sup>1</sup> and
  - (b) provides guidance to reflect the public sector perspective.

## Application

2. Compliance with this Statement is mandatory for Appointed Auditors who carry out annual audits on behalf of the Auditor-General. This Statement requires compliance with ISA (NZ) 700 and the additional requirements included in this Statement.
3. The additional requirements relate to:
  - (a) Applying specific phrases in the audit report where ISA (NZ) 700 contains optional phrases.
  - (b) Providing specific expectations for consultation with the OAG on the audit report and translations.
  - (c) Amending the layout or positioning of specific sections of the audit report as required by ISA (NZ) 700, paragraphs 21-49. Such amendments are identified in the ‘Application and other explanatory material’ of this Statement.
4. The additional requirements apply to Appointed Auditors who carry out annual audits of FMC reporting entities on behalf of the Auditor-General to the extent that these requirements do not affect the layout or positioning of the audit report. This is because the

<sup>1</sup> The ISA (NZ) Auditing Standards are scoped so that they apply to audits of “historical financial information”. However, for the purposes of the Auditor-General’s Auditing Standards and Statements, all references to “historical financial information” should be read as the audit of “historical financial and historical performance information”.

Auditor-General must (at a minimum) comply with the “auditing and assurance standards” that apply to an audit of an FMC reporting entity.<sup>2</sup> In the context of audit reports for FMC reporting entities, audit reports have to comply with paragraphs 21-49 of ISA (NZ) 700, as illustrated in examples 1 and 2 of the Appendix to that standard.

5. This Statement applies to audits of financial statements and performance information commencing on or after 1 April 2023.

## Objectives

6. The objectives of the Appointed Auditor are to comply with ISA (NZ) 700, and the additional requirements of this Statement, where relevant, when:
  - (a) forming an opinion on the financial statements and performance information presented by the entity (that is required to be audited), based on an evaluation of the conclusions drawn from the audit evidence obtained;
  - (b) clearly expressing that opinion through a written audit report; and
  - (c) including other reportable findings in the audit report, when applicable.

## Definitions

7. For the purpose of this Auditor-General’s Auditing Statement, the defined terms listed below have the following meanings:

### *Appointed Auditor*

means the person or persons appointed by the Auditor-General to carry out the annual audit on behalf of the Auditor-General, and who are supported by other members of the audit team. Where an Auditor-General’s Statement or Standard expressly intends that a requirement be fulfilled by the Appointed Auditor personally, the requirement will indicate that the Appointed Auditor shall personally satisfy the requirement.

### *Reportable findings*

means findings that are considered to be material to the readers of the audit report but that do not affect the auditor’s opinion on the fair presentation of the financial statements and the performance information. Examples of reportable findings may include:

- non-compliance with legislation relating to a matter of financial management or accountability;

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<sup>2</sup> Section 15(3) of the Public Audit Act 2001. When auditing an FMC reporting entity “auditing and assurance standards” means the auditing and assurance standards issued by the External Reporting Board.

- instances of spending that, in the opinion of the Appointed Auditor, is wasteful;
- references to fundamental uncertainties disclosed by the entity;
- highlighting when financial statements have been on a basis other than the going concern basis of accounting and when the auditor concurs with the basis of accounting applied by the entity.

Reportable findings are normally presented by means of an “emphasis of matter” or an “other matter” paragraph.<sup>3</sup>

## Requirements

### Expression of the opinion

8. Subject to paragraph 4 regarding the layout of the audit reports of FMC reporting entities, audit opinions issued on behalf of the Auditor-General on the financial statements and performance information presented in accordance with a fair presentation framework, shall be expressed in the form of a dual opinion that separately opines on:
  - (a) the fair presentation of the audited material; and
  - (b) whether the audited material complies with generally accepted accounting practice in New Zealand and has been prepared in accordance with [the applicable financial reporting framework] (Ref: Para. A1-A3).
9. The audit opinion contained in audit reports issued by, or on behalf of, the Auditor-General on the financial statements and performance information presented in accordance with a fair presentation framework, shall use the phrase “present fairly, in all material respects”.
10. Audit opinions issued by, or on behalf of, the Auditor-General on financial statements and performance information presented in accordance with a compliance framework, shall be expressed using the phrase:

*“In our opinion, the accompanying financial statements and performance information have been prepared, in all material respects, in accordance with [the applicable financial reporting framework]”* (Ref: Para. A4).

### Presentation of reportable findings in the audit report (Ref: Para. A5-A6)

11. Subject to paragraph 4 regarding the layout of the audit reports of FMC reporting entities, audit reports issued on behalf of the Auditor-General shall present reportable findings in accordance with the requirements of [AG ISA \(NZ\) 706](#). Reportable findings shall be clearly differentiated from the opinion section.

<sup>3</sup> Refer to AG ISA (NZ) 706 for requirements on “emphasis of matter” and “other matter” paragraphs.

## Use of audit report templates issued by the OAG

12. Subject to paragraph 4 regarding the layout of the audit reports of FMC reporting entities, the Appointed Auditor shall use audit report templates issued by the OAG as the basis for all audit reports signed on behalf of the Auditor-General. The Appointed Auditor shall consult with the OAG on any departures (other than those that are trivial or inconsequential) from the format or style of any audit report template issued by the OAG ([Ref: Para. A7-A8](#)).

## Signing of audit reports

13. Subject to paragraph 4 regarding the layout of the audit reports of FMC reporting entities audit reports shall be personally signed by the Appointed Auditor on behalf of the Auditor-General. However, the Auditor-General reserves the right to sign any audit report after giving due notice to the Appointed Auditor.
14. The following information shall be included below the Appointed Auditor's signature:
  - (a) [Appointed Auditor name]
  - (b) [Audit Service Provider name]
  - (c) On behalf of the Auditor-General
  - (d) [City name], New Zealand

## Independence and the disclosure of relationships with, or interests in, the public entity in the audit report

15. Subject to paragraph 4 regarding the layout of the audit reports of FMC reporting entities, the Appointed Auditor shall disclose, in a separate "Independence" section of the audit report, whether their Audit Service Provider has any relationship with, or interests in, the public entity ([Ref: Para. A9-A10](#)).

## Consultation with the OAG

16. The Appointed Auditor shall consult with the Audit Quality team at the OAG before issuing an audit report:
  - (a) if the Appointed Auditor *seriously considers* issuing an audit report containing:
    - a disclaimer of opinion; or
    - an adverse opinion; or
  - (b) if the Appointed Auditor *seriously considers* including an emphasis of matter or other matter paragraph in that audit report,unless the Auditor-General has provided direction or guidance to the contrary.
17. The Audit Quality team shall consider the audit report matter under consultation. Thereafter, as necessary, the Appointed Auditor and the Audit Quality team shall follow the Auditor-General's Opinions Review Committee (ORC) process ([Ref: Para. A11](#)).

18. The Appointed Auditor shall consult with the Audit Quality team of the OAG if there is a technical matter related to the audit report that the Appointed Auditor is unsure about.

## Translation of audit reports into te reo Māori or other languages

19. An audit report in te reo Māori or another language shall be provided by the Appointed Auditor if requested by the entity's management [\(Ref: Para. A12-A14\)](#).
20. The Appointed Auditor shall contact the Audit Quality team of the OAG for a translated audit report.
21. If an Appointed Auditor issues an audit report in te reo Māori (or another language), an audit report in English shall also be provided.

## Application and other explanatory material

### Expression of the opinion [\(Ref: Para. 8-10\)](#)

- A1. Paragraph 25 of ISA (NZ) 700 requires the auditor's opinion on financial statements prepared in accordance with a fair presentation framework to use one of the following phrases, which are regarded as being equivalent:
  - "In our opinion, the accompanying financial statements present fairly, in all material respects, [...] in accordance with [\[the applicable financial reporting framework\]](#)"; or
  - "In our opinion, the accompanying financial statements give a true and fair view of [...] in accordance with [\[the applicable financial reporting framework\]](#)".
- A2. Subject to paragraph 4 regarding the wording and format layout of the audit reports of FMC reporting entities, the Auditor-General has amended these requirements by requiring audit opinions issued by, or on behalf of, the Auditor-General on financial statements and performance information presented in accordance with a fair presentation framework to be expressed in the form of a dual opinion. The dual opinion separately opines on:
  - the fair presentation of the audited material; and
  - whether the audited material complies with generally accepted accounting practice in New Zealand and has been prepared in accordance with [\[the applicable financial reporting framework\]](#).
- A3. The Auditor-General has adopted the dual opinion approach because:
  - preparation of the financial statements and performance information in accordance with [\[the applicable financial reporting framework\]](#) does not automatically mean that the audited information is fairly presented; and



- [the applicable financial reporting framework] may not adequately address some important aspects of financial statements and performance information in the public sector.

A4. An example of a compliance framework in New Zealand is “Public Benefit Entity Simple Format Reporting – Cash (Public Sector)” that may be applied by a Tier 4 public entity under the circumstances described in that framework.

## Presentation of reportable findings in the audit report [\(Ref: Para. 11\)](#)

- A5. The Auditor-General intends that all reportable findings arising from the audit be presented towards the beginning of the audit report, after the opinion section, in accordance with [AG ISA \(NZ\) 706](#).
- A6. The Auditor-General presents reportable findings towards the beginning of the audit report due to their importance to the reader of the financial statements and performance information.

## Use of audit report templates issued by the OAG [\(Ref: Para. 12\)](#)

- A7. Illustrative example audit report templates for public entities that are not FMC reporting entities are provided in the online portal for auditors.
- A8. [Appendices 1 and 2](#) illustrate how the Auditor-General’s requirements amend the the layout of the auditor’s report prepared in accordance with ISA (NZ) 700.

## Independence and the disclosure of relationships with, or interests in, the public entity in the audit report [\(Ref: Para. 15\)](#)

- A9. The Auditor-General has amended the requirements of paragraph 28 of ISA (NZ) 700 by requiring a separate independence section to be included in the audit report, rather than including the required information in the ‘basis for opinion’ section of the audit report.
- A10. Where the ASP does not have a relationship with, or interests in, the entity (other than as auditor) the auditor describes the following in the Independence section of the audit report:
- “We are independent of the [entity type] in accordance with the independence requirements of the Auditor-General’s Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.*
- “Other than the audit, we have no relationship with, or interests in, the [entity type].”*

## Consultation with the OAG [\(Ref: Para. 16-18\)](#)

- A11. Appendix 3 describes the objectives of the ORC, as well as the procedures that the Appointed Auditor needs to follow during the process.

## Translation of audit reports into te reo Māori or other languages

[\(Ref: Para. 19-21\)](#)

- A12. The Māori Language Act 1987 established te reo Māori as an official language of New Zealand. Although the Māori Language Act 1987 enhances and promotes the use of te reo Māori, it does not require documents and reports to be written in te reo Māori. If the annual report is in te reo Māori, it is desirable for the audit report to also be written in te reo Māori.
- A13. Some public entities may request the audit report to be issued in te reo Māori. Translation of an audit report into te reo Māori can be provided by the OAG on request.
- A14. The Auditor-General provides practical support where an entity requires an audit report in te reo Māori. Te reo Māori translations of standard unqualified audit reports are included in some sections of the OAG Portal. Where a standard audit report in te reo Māori is not provided by the OAG or the wording is “non-standard” (that is, it includes additional wording such as an emphasis of matter paragraph or an other matter paragraph or is modified), the Audit Quality Group will arrange for the te reo Māori translation to be completed.

## Appendix 1 – Unmodified model audit report for a public entity applying a fair presentation framework

The following audit report is for an entity that is not a FMC reporting entity (under the Financial Markets Conduct Act 2013) and that is required to report performance information in a statement of performance.

Unmodified model audit report – Fair presentation framework	ISA (NZ) 700 requirements and corresponding OAG policies
[Firm's letterhead]	The audit report shall be printed on the letterhead of the auditing firm.
<b>INDEPENDENT AUDITOR'S REPORT</b>	Paragraph 21 of ISA (NZ) 700 (Revised) requires that the auditor's report shall have a title that clearly indicates that it is the report of an independent auditor.
<b>TO THE [READERS] OF [NAME OF ENTITY]'S</b>	<p>Paragraph 22 of ISA (NZ) 700 (Revised) requires that the auditor's report shall be addressed, as appropriate, based on the circumstances of the engagement.</p> <p>Unless an exemption has been specifically provided for by the OAG, all audit reports issued by the Auditor-General shall be addressed to the "readers" because public entities are accountable to a wide constituency and the Auditor-General has broad responsibilities to report to this constituency. Individual exceptions may include situations where there is a minority private sector interest in the entity. For example, where the entity is a joint venture and one of the partners is from the private sector, then the audit report shall be addressed to the "joint venturers".</p> <p>Where an audit report is addressed to a party other than to "the readers", the audit report will normally include the following wording:</p> <p><b>TO THE [SHAREHOLDERS/JOINT VENTURERS/PARTNERS] OF [NAME OF ENTITY]</b></p>

## Unmodified model audit report – Fair presentation framework

## ISA (NZ) 700 requirements and corresponding OAG policies

**FINANCIAL STATEMENTS AND STATEMENT OF PERFORMANCE  
FOR THE YEAR ENDED [DD MM 20XX]**

The terminology used to describe the accountability statements shall be the same as that used by the public entity provided it appropriately describes the material that has been audited.

The balance date is normally determined by legislation or by the governing body within the constraints of any legislation. The inclusion of the balance date or the reporting period assists readers understand the scope of the annual audit.

The Auditor-General is the auditor of [name of entity] (the [entity type]). The Auditor-General has appointed me, [name of Appointed Auditor], using the staff and resources of [name of auditing firm], to carry out the audit of the financial statements and statement of performance of the [entity type] on his behalf.

The Public Audit Act 2001 (section 32) deals with the appointment of auditors. The Auditor-General may from time to time appoint – in writing – a suitable person or body to act as an auditor on the Auditor-General's behalf.

**Opinion**

Paragraph 23 of ISA (NZ) 700 (Revised) requires that the auditor's report shall include the auditor's opinion and shall have the heading "Opinion".

## Unmodified model audit report – Fair presentation framework

We have audited:

- the financial statements of the [entity type] on pages [...] to [...], that comprise<sup>4</sup> the [statement of financial position] as at [DD MM 20XX], the [statement of comprehensive income, statement of changes in equity, and statement of cash flows] for the year ended on that date, and [the notes to the financial statements that include accounting policies and other explanatory information]; and
- the statement of performance of the [entity type] on pages [...] to [...].

In our opinion:

- the financial statements of the [entity type] on pages [...] to [...]:
  - present fairly, in all material respects:
    - its financial position as at [DD MM 20XX]; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with [the applicable financial reporting framework]; and

## ISA (NZ) 700 requirements and corresponding OAG policies

Paragraph 24 of ISA (NZ) 700 (Revised) requires that the Opinion section of the auditor's report shall also:

- identify the entity whose financial statements have been audited;
- state that the financial statements have been audited;
- identify the title of each statement that comprises the financial statements;
- refer to the notes, including the summary of significant accounting policies; and
- specify the date or period covered by each financial statement comprising the financial statements.

For the reasons set out in this Statement, the results of the audit of the performance information are included in the Opinion section of the auditor's report.

Identification of audited information by page number will assist readers to identify the information to which the audit report refers.

A “dual” opinion is included in audit reports issued by, or on behalf of, the Auditor-General. Refer to paragraphs A3 to A5 of this Statement for the reasons for including the dual opinion.

<sup>4</sup> Ensure that the names that are used in the financial statements and performance information are replicated in the audit report.

## Unmodified model audit report – Fair presentation framework

- the statement of performance of the [entity type] on pages [...] to [...]:
  - presents fairly, in all material respects, the [entity type]’s performance for the year ended [DD MM 20XX], including:
    - its performance achievements as compared with forecasts included in the statement of performance expectations for the financial year; and
    - its actual revenue and expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
  - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on [date]. This is the date at which our opinion is expressed.

## ISA (NZ) 700 requirements and corresponding OAG policies

The audit opinion on the performance information shall be expressed using the same terms used to express the opinion on the financial statements. The term “present fairly, in all material respects” is used when expressing the opinions on both the financial statements and on the performance information.

In addition to paragraph 49 of ISA (NZ) 700 (Revised), the audit report shall not be dated before:

- the date on which the statement of responsibility or equivalent statement is signed; or
- the date of the written representation, as required by AG ISA (NZ) 580 and ISA (NZ) 580.

The Appointed Auditor, in normal circumstances, shall not sign and date the audit report until all other information (other than the audited financial and performance information) that will be included in the entity’s annual report has been received and considered by the auditor in accordance with ISA (NZ) 720 (Revised).

## Unmodified model audit report – Fair presentation framework

The basis for our opinion is explained below. In addition, we outline the responsibilities of the **[governing body]** and our responsibilities relating to the financial statements and the statement of performance, we comment on other information, and we explain our independence.

### Basis for opinion

We carried out our audit in accordance with the Auditor-General’s Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General’s Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## ISA (NZ) 700 requirements and corresponding OAG policies

Audit reports issued by, or on behalf of, the Auditor-General shall include a separate section under the heading “Independence”. This is a departure from paragraphs 28(c), NZ28(c), NZ28.1, and NZ40(b)(1) of ISA (NZ) 700 (Revised) that require statements about the auditor’s independence to be included under the headings “Basis for Opinion” and “Auditor’s Responsibilities for the Audit of the Financial Statements”.

The Auditor-General is specifically required to act independently under section 9 of the Public Audit Act 2001. The heightened expectation that the Auditor-General must act, and be seen to act, independently, combined with the recognition that independence is fundamental to the Auditor-General, has led the Auditor-General to raising the prominence of independence by including a separate section under the heading “Independence”.

The “Basis for opinion” section complies with the requirements of paragraph 28(a), (b), and (d) of ISA (NZ) 700 (Revised). This section also complies with the requirement in paragraph 28(c) of ISA (NZ) 700 (Revised) for the auditor to state that they have fulfilled their other ethical responsibilities (in addition to the independence requirements) under the relevant ethical requirements. Because assertion of compliance with the auditor’s independence requirements is made under the “Independence” heading of the audit report, the requirement for the auditor to assert compliance with their other ethical responsibilities is needed. This requirement is encompassed in the statement “We have fulfilled our responsibilities in accordance with the Auditor-General’s Auditing Standards”, which encompasses the auditor’s other ethical responsibilities.

The required statements about independence under paragraphs 28(c), NZ28(c), and NZ28.1 have been included under a separate Independence heading.

**Unmodified model audit report – Fair presentation framework****ISA (NZ) 700 requirements and corresponding OAG policies****Responsibilities of the [governing body] for the financial statements and the statement of performance**

The [governing body] is responsible on behalf of the [entity type] for preparing financial statements and a statement of performance that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The [governing body] is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and a statement of performance that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the statement of performance, the [governing body] is responsible on behalf of the [entity type] for assessing the [entity type]'s ability to continue as a going concern. The [governing body] is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the [governing body] intends to liquidate the [entity type] or to cease operations, or has no realistic alternative but to do so.

The [governing body]'s responsibilities arise from the [name of relevant Act(s)].

Paragraphs 33 to 36 of ISA (NZ) 700 (Revised) specify the matters to be included in the auditor's report under the heading "Responsibilities of Those Charged with Governance for the Financial Statements". The wording of this section of the model audit report complies with paragraphs 33 to 36 of ISA (NZ) 700 (Revised), having been amended for the public sector. Those amendments can include a wider reference to the information that has been audited, such as performance information, as well as references to the relevant legislation requiring the governing body to prepare the financial statements. It is not necessary to make reference to specific sections within the relevant legislation.



**Unmodified model audit report – Fair presentation framework****ISA (NZ) 700 requirements and corresponding OAG policies****Responsibilities of the auditor for the audit of the financial statements and the statement of performance**

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of performance, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General’s Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements and statement of performance.

Paragraphs 37 to 42 of ISA (NZ) 700 (Revised) specify the content requirements of the section of the auditor’s report with the heading “Auditor’s Responsibilities for the Audit of the Financial Statements”.

Paragraph 38(a) of ISA (NZ) 700 (Revised) requires the auditor’s report to state that the objectives of the auditor are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes the auditor’s opinion.

Paragraph 38(b) of ISA (NZ) 700 (Revised) requires the auditor’s report to state that reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. All audit reports issued by, or on behalf of, the Auditor-General include a statement that describes what is meant by the term “misstatement”.

Paragraph 38(c) of ISA (NZ) 700 (Revised) requires the auditor’s report to state that misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Because the audit report is addressed to readers, decisions will not be limited to “economic decision”, hence the change to refer to “decisions of readers”.

## Unmodified model audit report – Fair presentation framework

For the budget information reported in the financial statements and the statement of performance, our procedures were limited to checking that the information agreed to the [entity type]’s [statement of performance expectations].

We did not evaluate the security and controls over the electronic publication of the financial statements and the statement of performance.

As part of an audit in accordance with the Auditor-General’s Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the statement of performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the [entity type]’s internal control.

## ISA (NZ) 700 requirements and corresponding OAG policies

Public entities are often required to include “budget information” for the period subject to audit in their financial statements and performance information. The purpose of the statement in the audit report is to clarify the extent of work carried out on budget information.

All audit reports issued by, or on behalf of, the Auditor-General include a statement that the auditor is not responsible for evaluating the security and controls over the electronic publication of the audited information. The primary reason for this statement is that audited information is often published by public entities in electronic form and may also be included on one or more websites.

Paragraph 39(a) of ISA (NZ) 700 (Revised) requires the auditor’s report to state that, as part of an audit in accordance with the ISAs (NZ), the auditor exercises professional judgement and maintains professional scepticism throughout the audit.

Paragraph 39(b)(i) of ISA (NZ) 700 (Revised) requires the auditor’s report to describe the auditor’s responsibility to identify and assess the risks of material misstatement, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor’s opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## Unmodified model audit report – Fair presentation framework

- We evaluate the appropriateness of the reported performance information within the [entity type]'s framework for reporting its performance;
- We conclude on the appropriateness of the use of the going concern basis of accounting by the [governing body] and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the [entity type]'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the statement of performance or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the [entity type] to cease to continue as a going concern.
- We evaluate the overall presentation, structure, and content of the financial statements and the statement of performance, including the disclosures, and whether the financial statements and the statement of performance represent the underlying transactions and events in a manner that achieves fair presentation.

### Only include for a group audit

- We obtain sufficient appropriate audit evidence regarding the financial statements and the statement of performance of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated statement of performance. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

## ISA (NZ) 700 requirements and corresponding OAG policies

Paragraph 39(b)(ii) of ISA (NZ) 700 (Revised) requires the auditor's report to describe the auditor's responsibility to obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Paragraph 39(b)(iii) of ISA (NZ) 700 (Revised) requires the auditor's report to describe the auditor's responsibility to evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Audit reports issued by, or on behalf of, the Auditor-General that express an opinion on performance information describe that the auditor evaluates the appropriateness of the reported performance information within the entity's framework for reporting its performance.

Paragraph 39(b)(iv) of ISA (NZ) 700 (Revised) requires the auditor's report to describe the auditor's responsibility to conclude on the appropriateness of management's use of the going concern basis of accounting.

Paragraph 39(b)(v) of ISA (NZ) 700 (Revised) requires the auditor's report to describe the auditor's responsibility to evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Paragraph 39(c) of ISA (NZ) 700 (Revised) requires the auditor's report of a group to state the auditor's responsibilities are to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements, that the auditor is responsible for the direction, supervision, and performance of the group audit, and that the auditor remains solely responsible for the audit opinion.

**Unmodified model audit report – Fair presentation framework**

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

Our responsibilities arise from the Public Audit Act 2001.

**Other information**

The [governing body] is responsible for the other information. The other information comprises the information included on pages [XX to YY], but does not include the financial statements and the statement of performance, and our auditor's report thereon.

Our opinion on the financial statements and the statement of performance does not cover the other information, and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the statement of performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the statement of performance or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**ISA (NZ) 700 requirements and corresponding OAG policies**

Paragraph 40(a) of ISA (NZ) 700 (Revised) requires the auditor's report to state that the auditor communicates to those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

For the annual audit of a public entity, reference should be made to the Public Audit Act 2001 in every audit report.

Paragraph 32 of ISA (NZ) 700 (Revised) requires the auditor to report in accordance with ISA (NZ) 720 (Revised). ISA (NZ) 720 (Revised) acknowledges the possibility that the other information may not be available before the audit has been completed and specifies the audit report requirements in this situation.

## Unmodified model audit report – Fair presentation framework

## ISA (NZ) 700 requirements and corresponding OAG policies

**Independence**

We are independent of the [entity type] in accordance with the independence requirements of the Auditor-General’s Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the [entity type].

Or

[In addition to the audit, we have carried out engagements in the areas of [insert description of engagements], which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with, or interests in, the [entity type].]

Paragraphs 28(c), NZ28(c), and NZ28.1 require statements to be made in the auditor’s report, under the “Basis for opinion” heading, about the auditor’s independence. The statements required are:

- 28(c) That the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit ...
- NZ28(c) In New Zealand, the statement required by paragraph 28(c) shall refer to Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.
- NZ28.1 The existence of any relationship (other than that of auditor) that the auditor has with, or any interests that the auditor has in, the entity.

In audit reports issued by, or on behalf of, the Auditor-General, the required statements about independence under paragraphs 28(c), NZ28(c), and NZ28.1 are included under a separate “Independence” heading.

## Unmodified model audit report – Fair presentation framework

[Signature of Appointed Auditor]

[Name of Appointed Auditor]

[Name of auditing firm]

On behalf of the Auditor-General

[City], New Zealand

## ISA (NZ) 700 requirements and corresponding OAG policies

Paragraph NZ46.1 of ISA (NZ) 700 (Revised) requires that the name of the engagement partner shall be included in the auditor's report on financial statements of FMC entities considered to have a higher level of public accountability. The Auditor-General requires the name of the Appointed Auditor to be included in the audit reports of all entities, followed by the name of the firm of the Appointed Auditor.

Paragraph 47 of ISA (NZ) 700 (Revised) requires that the auditor's report shall be signed. The Auditor-General requires the signature of the Appointed Auditor. If the Appointed Auditor wants to include the signature of the Audit Firm, this may be included alongside the signature of the Appointed Auditor as follows:

[Signature of Appointed Auditor]

[Signature of auditing firm]

[Name of Appointed Auditor]

[Name of auditing firm]

On behalf of the Auditor-General

[City], New Zealand

[Refer to paragraph 13](#) of this Statement for requirements on signing the audit report.

Paragraph 48 of ISA (NZ) 700 (Revised) requires that the auditor's report shall name the location where the auditor practises.

## Appendix 2 – Unmodified model audit report for a public entity applying a compliance framework

The following audit report is for an entity that is not a FMC reporting entity (under the Financial Markets Conduct Act 2013) that that is required to report performance information in a statement of performance.

Unmodified model audit report – Compliance framework	ISA (NZ) 700 requirements and corresponding OAG policies
[Firm's letterhead]	The audit report shall be printed on the letterhead of the auditing firm.
<b>INDEPENDENT AUDITOR'S REPORT</b>	Paragraph 21 of ISA (NZ) 700 (Revised) requires that the auditor's report shall have a title that clearly indicates that it is the report of an independent auditor.
<b>TO THE [READERS] OF [NAME OF ENTITY]'S</b>	<p>Paragraph 22 of ISA (NZ) 700 (Revised) requires that the auditor's report shall be addressed, as appropriate, based on the circumstances of the engagement.</p> <p>Unless an exemption has been specifically provided for by the OAG, all audit reports issued by the Auditor-General shall be addressed to the "readers" because public entities are accountable to a wide constituency and the Auditor-General has broad responsibilities to report to this constituency. Individual exceptions may include situations where there is a minority private sector interest in the entity. For example, where the entity is a joint venture and one of the partners is from the private sector, then the audit report shall be addressed to the "joint venturers".</p> <p>Where an audit report is addressed to a party other than to "the readers", the audit report will normally include the following wording:</p> <p><b>TO THE [SHAREHOLDERS/JOINT VENTURERS/PARTNERS] OF [NAME OF ENTITY]</b></p>

## Unmodified model audit report – Compliance framework

## ISA (NZ) 700 requirements and corresponding OAG policies

**FINANCIAL STATEMENTS AND STATEMENT OF PERFORMANCE  
FOR THE YEAR ENDED [DD MM 20XX]**

The terminology used to describe the accountability statements shall be the same as that used by the public entity provided it appropriately describes the material that has been audited.

The balance date is normally determined by legislation or by the governing body within the constraints of any legislation. The inclusion of the balance date or the reporting period assists readers understand the scope of the annual audit.

The Auditor-General is the auditor of [name of entity] (the [entity type]). The Auditor-General has appointed me, [name of Appointed Auditor], using the staff and resources of [name of auditing firm], to carry out the audit of the financial statements and statement of performance of the [entity type] on his behalf.

The Public Audit Act 2001 (section 32) deals with the appointment of auditors. The Auditor-General may from time to time appoint – in writing – a suitable person or body to act as an auditor on the Auditor-General's behalf.

**Opinion**

Paragraph 23 of ISA (NZ) 700 (Revised) requires that the auditor's report shall include the auditor's opinion and shall have the heading "Opinion".



## Unmodified model audit report – Compliance framework

We have audited:

- the financial statements of the [entity type] on pages [...] to [...], that comprise<sup>5</sup> the [statement of financial position] as at [DD MM 20XX], the [statement of comprehensive income, statement of changes in equity, and statement of cash flows] for the year ended on that date, and [the notes to the financial statements that include accounting policies and other explanatory information]; and
- the statement of performance<sup>3</sup> of the [entity type] on pages [...] to [...].

In our opinion, the financial statements and the statement of performance of the [entity type] have been prepared, in all material respects, in accordance with [the applicable financial reporting framework].

## ISA (NZ) 700 requirements and corresponding OAG policies

Paragraph 24 of ISA (NZ) 700 (Revised) requires that the Opinion section of the auditor's report shall also:

- identify the entity whose financial statements have been audited;
- state that the financial statements have been audited;
- identify the title of each statement that comprises the financial statements;
- refer to the notes, including the summary of significant accounting policies; and
- specify the date or period covered by each financial statement comprising the financial statements.

Identification of audited information by page number will assist readers to identify the information to which the audit report refers.

When financial statements and performance information have been prepared in accordance with a compliance framework, the auditor is not required to assess the fair presentation of those statements. As a result, a “dual” opinion is not expressed for financial statements and performance information prepared in accordance with a compliance framework.

<sup>5</sup> Ensure that the names that are used in the financial statements and performance information are replicated in the audit report.

### Unmodified model audit report – Compliance framework

Our audit was completed on [date]. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the [governing body] and our responsibilities relating to the financial statements and the statement of performance, we comment on other information, and we explain our independence.

### ISA (NZ) 700 requirements and corresponding OAG policies

In addition to paragraph 49 of ISA (NZ) 700 (Revised), the audit report shall not be dated before:

- the date on which the statement of responsibility or equivalent statement is signed; or
- the date of the written representation, as required by AG ISA (NZ) 580 and ISA (NZ) 580.

The Appointed Auditor, in normal circumstances, shall not sign and date the audit report until all other information (other than the audited financial and performance information) that will be included in the entity's annual report has been received and considered by the auditor in accordance with ISA (NZ) 720 (Revised).

Audit reports issued by, or on behalf of, the Auditor-General shall include a separate section under the heading "Independence". This is a departure from paragraphs 28(c), NZ28(c), NZ28.1, and NZ40(b)(1) of ISA (NZ) 700 (Revised) that require statements about the auditor's independence to be included under the headings "Basis for Opinion" and "Auditor's Responsibilities for the Audit of the Financial Statements".

The Auditor-General is specifically required to act independently under section 9 of the Public Audit Act 2001. The heightened expectation that the Auditor-General must act, and be seen to act, independently, combined with the recognition that independence is fundamental to the Auditor-General, has led the Auditor-General to raising the prominence of independence by including a separate section under the heading "Independence".

**Unmodified model audit report – Compliance framework****Basis for opinion**

We carried out our audit in accordance with the Auditor-General’s Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General’s Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**ISA (NZ) 700 requirements and corresponding OAG policies**

The “Basis for opinion” section complies with the requirements of paragraph 28(a), (b), and (d) of ISA (NZ) 700 (Revised). This section also complies with the requirement in paragraph 28(c) of ISA (NZ) 700 (Revised) for the auditor to state that they have fulfilled their other ethical responsibilities (in addition to the independence requirements) under the relevant ethical requirements. Because assertion of compliance with the auditor’s independence requirements is made under the “Independence” heading of the audit report, the requirement for the auditor to assert compliance with their other ethical responsibilities is needed. This requirement is encompassed in the statement “We have fulfilled our responsibilities in accordance with the Auditor-General’s Auditing Standards”, which encompasses the auditor’s other ethical responsibilities.

The required statements about independence under paragraphs 28(c), NZ28(c), and NZ28.1 have been included under a separate Independence heading.

**Unmodified model audit report – Compliance framework****ISA (NZ) 700 requirements and corresponding OAG policies****Responsibilities of the [governing body] for the financial statements and the statement of performance**

The [governing body] is responsible on behalf of the [entity type] for the preparation of the financial statements and the statement of performance in accordance with [the applicable financial reporting framework].

The [governing body] is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and a statement of performance that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the statement of performance, the [governing body] is responsible on behalf of the [entity type] for assessing the [entity type]'s ability to continue as a going concern. The [governing body] is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the [governing body] intends to liquidate the [entity type] or to cease operations, or has no realistic alternative but to do so.

The [governing body]'s responsibilities arise from the [name of relevant Act(s)].

Paragraphs 33 to 36 of ISA (NZ) 700 (Revised) specify the matters to be included in the auditor's report under the heading "Responsibilities of Those Charged with Governance for the Financial Statements". The wording of this section of the model audit report complies with paragraphs 33 to 36 of ISA (NZ) 700 (Revised), having been amended to reflect the public sector context. Those amendments can include a wider reference to the information that has been audited, such as performance information, as well as references to the relevant legislation requiring the governing body to prepare the financial statements. It is not necessary to make reference to specific sections within the relevant legislation.

**Responsibilities of the auditor for the audit of the financial statements and the statement of performance**

Paragraphs 37 to 42 of ISA (NZ) 700 (Revised) specify the content requirements of the section of the auditor's report with the heading "Auditor's Responsibilities for the Audit of the Financial Statements".

**Unmodified model audit report – Compliance framework**

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of performance, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General’s Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts and disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements and statement of performance.

**ISA (NZ) 700 requirements and corresponding OAG policies**

Paragraph 38(a) of ISA (NZ) 700 (Revised) requires the auditor’s report to state that the objectives of the auditor are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes the auditor’s opinion.

Paragraph 38(b) of ISA (NZ) 700 (Revised) requires the auditor’s report to state that reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. All audit reports issued by, or on behalf of, the Auditor-General include a statement that describes what is meant by the term “material misstatement”.

Paragraph 38(c) of ISA (NZ) 700 (Revised) requires the auditor’s report to state that misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Because the audit report is addressed to readers, decisions will not be limited to “economic decision”, hence the change to refer to “decisions of readers”.

## Unmodified model audit report – Compliance framework

[For the budget information reported in the financial statements and the statement of performance, our procedures were limited to checking that the information agreed to the [entity type]’s [statement of performance expectations].]

We did not evaluate the security and controls over the electronic publication of the financial statements and the statement of performance.

As part of an audit in accordance with the Auditor-General’s Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the statement of performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## ISA (NZ) 700 requirements and corresponding OAG policies

Public entities are often required to include “budget information” for the period subject to audit in their financial statements and performance information. The purpose of the statement in the audit report is to clarify the extent of work carried out on budget information. This text should only be included in the audit report when the financial statements and the statement of performance include budget information.

All audit reports issued by, or on behalf of the Auditor-General include a statement that the auditor is not responsible for evaluating the security and controls over the electronic publication of the audited information. The primary reason for this statement is that audited information is often published by public entities in electronic form and may also be included on one or more websites.

Paragraph 39(a) of ISA (NZ) 700 (Revised) requires the auditor’s report to state that, as part of an audit in accordance with the ISAs (NZ), the auditor exercises professional judgement and maintains professional scepticism throughout the audit.

Paragraph 39(b)(i) of ISA (NZ) 700 (Revised) requires the auditor’s report to describe the auditor’s responsibility to identify and assess the risks of material misstatement, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor’s opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

**Unmodified model audit report – Compliance framework**

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the [entity type]'s internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the [governing body].
- We evaluate the appropriateness of the reported performance information within the [entity type]'s framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the [governing body] and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the [entity type]'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the statement of performance or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the [entity type] to cease to continue as a going concern.

**ISA (NZ) 700 requirements and corresponding OAG policies**

Paragraph 39(b)(ii) of ISA (NZ) 700 (Revised) requires the auditor's report to describe the auditor's responsibility to obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Paragraph 39(b)(iii) of ISA (NZ) 700 (Revised) requires the auditor's report to describe the auditor's responsibility to evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Audit reports issued by, or on behalf of, the Auditor-General that express an opinion on performance information describe that the auditor evaluates the appropriateness of the reported performance information within the entity's framework for reporting its performance.

Paragraph 39(b)(iv) of ISA (NZ) 700 (Revised) requires the auditor's report to describe the auditor's responsibility to conclude on the appropriateness of management's use of the going concern basis of accounting.

This audit report does not contain a statement about the auditor evaluating the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation, in accordance with paragraph 39(b)(v) of ISA (NZ) 700 (Revised), because the entity has prepared its financial statements using a compliance framework.

**Unmodified model audit report – Compliance framework****Only include for a group audit**

- We obtain sufficient appropriate audit evidence regarding the financial statements and the statement of performance of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated statement of performance. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

Our responsibility arises from the Public Audit Act 2001.

**ISA (NZ) 700 requirements and corresponding OAG policies**

Paragraph 39(c) of ISA (NZ) 700 (Revised) requires the auditor's report of a group to state the auditor's responsibilities are to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements, that the auditor is responsible for the direction, supervision, and performance of the group audit, and that the auditor remains solely responsible for the audit opinion.

Paragraph 40(a) of ISA (NZ) 700 (Revised) requires the auditor's report to state that the auditor communicates to those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

For the annual audit of a public entity, reference should be made to the Public Audit Act 2001 in every audit report.



**Unmodified model audit report – Compliance framework****Other information**

The [governing body] is responsible for the other information. The other information comprises the information included on pages [XX to YY], but does not include the financial statements and the statement of performance, and our auditor's report thereon.

Our opinion on the financial statements and the statement of performance does not cover the other information, and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the statement of performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the statement of performance or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this

**ISA (NZ) 700 requirements and corresponding OAG policies**

Paragraph 32 of ISA (NZ) 700 (Revised) requires the auditor to report in accordance with ISA (NZ) 720 (Revised). ISA (NZ) 720 (Revised) acknowledges the possibility that the other information may not be available before the audit has been completed and specifies the audit report requirements in this situation.

## Unmodified model audit report – Compliance framework

**Independence**

We are independent of the [entity type] in accordance with the independence requirements of the Auditor-General’s Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board..

Other than the audit, we have no relationship with, or interests in, the [entity type].

Or

[In addition to the audit, we have carried out engagements in the areas of [insert description of engagements], which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with, or interests in, the [entity type].]

## ISA (NZ) 700 requirements and corresponding OAG policies

Paragraphs 28(c), NZ28(c) and NZ28.1 require statements to be made in the auditor’s report, under the “Basis for opinion” heading, about the auditor’s independence. The statements required are:

- 28(c) That the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit ...
- NZ28(c) In New Zealand, the statement required by paragraph 28(c) shall refer to Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.
- NZ28.1 The existence of any relationship (other than that of auditor) that the auditor has with, or any interests that the auditor has in, the entity.

In audit reports issued by, or on behalf of, the Auditor-General, the required statements about independence under paragraphs 28(c), NZ28(c), and NZ28.1 are included under a separate “Independence” heading.

## Unmodified model audit report – Compliance framework

[Signature of Appointed Auditor]

[Name of Appointed Auditor]

[Name of auditing firm]

On behalf of the Auditor-General

[City], New Zealand

## ISA (NZ) 700 requirements and corresponding OAG policies

Paragraph NZ46.1 of ISA (NZ) 700 (Revised) requires that the name of the engagement partner shall be included in the auditor's report on financial statements of FMC entities considered to have a higher level of public accountability. The Auditor-General requires the name of the Appointed Auditor to be included in the audit reports of all entities, followed by the name of the firm of the Appointed Auditor.

Paragraph 47 of ISA (NZ) 700 (Revised) requires that the auditor's report shall be signed. The Auditor-General requires the signature of the Appointed Auditor. If the Appointed Auditor wants to include the signature of the Audit Firm, this may be included alongside the signature of the Appointed Auditor as follows:

[Signature of Appointed Auditor]

[Signature of auditing firm]

[Name of Appointed Auditor]

[Name of auditing firm]

On behalf of the Auditor-General

[City], New Zealand

[Refer to paragraph 13](#) of this Statement for requirements on signing the audit report.

Paragraph 48 of ISA (NZ) 700 (Revised) requires that the auditor's report shall name the location where the auditor practises.

# Appendix 3 – The Auditor-General’s Opinions Review Committee (ORC)

## Objectives of the ORC

The objectives of ORC are to manage:

- the Auditor-General’s reputational risk;
- consistency of non-standard audit reports presented to it; and
- consistency of Audit Service Provider approaches to major auditing and assurance policy matters that, for example, affect a specific sector.

## Appointed Auditor procedures

It is essential that issues be referred to the ORC as early as possible. This may be before the financial statements and performance information is prepared for audit – for example, an issue may become apparent at the planning stage.

If the Appointed Auditor is uncertain as to whether a matter should be referred to the ORC, the Appointed Auditor should approach the Audit Quality Group for advice.

The Appointed Auditor submits the following information to the ORC at least seven working days before a decision is required:

- A copy of the financial statements and performance information for annual audit that has been audited (or is required to be audited). If the financial statements and performance information for annual audit is not available, the latest available information should be provided to enable the issue to be considered in perspective.
- Outline of the issue(s) that may require a non-standard audit report. If there is more than one issue, each issue should be addressed separately, including the background, audit concerns, and the effect on the financial statements and performance information.
- Additional information supporting the issue(s). Additional information includes working papers, assessments or calculations made by the entity
- Technical support for the Appointed Auditor’s opinion. Technical support includes financial reporting and auditing standards, other guidance issued by relevant statutory and professional bodies, direction and advice from the OAG, legislation, and any other relevant technical guidance as appropriate.
- The entity’s view on the issue(s). The issue(s) and the potential effect on the audit report shall be discussed, where appropriate, with the entity (at no lower than chief executive level), and its position shall be clearly documented. If the entity disagrees with the Appointed Auditor’s opinion, the rationale and any technical support for the entity’s view shall be provided. The onus is on the entity to produce whatever technical support it believes is necessary to justify its position. This support may range from seeking an opinion from its own advisors to the Appointed Auditor simply recording (and considering the reasonableness of) the entity’s

rationale. The Auditor-General does not require the entity to obtain and pay for technical advice to support its position.

- A copy of the recommended audit report. Draft wording of the basis for modified opinion, Emphasis of matter or Other Matter sections of the audit report is also acceptable.

We understand that there will however be circumstances where a decision from the ORC will be required sooner than the seven working days requirement describe above. In these circumstances we request the Appointed Auditor to provide the above-mentioned information as soon as is practically possible.