

AG ISA (NZ) 705

The Auditor-General's Statement
on Modifications to the Opinion in
the Independent Auditor's Report



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Introduction

At a glance

This standard differs from the [underlying standard ISA \(NZ\) 705 \(XRB website\)](#) in that you are authorised to issue modified audit reports without approval from the OAG unless the criteria in AG ISA (NZ) 700 are met, in which case you are required to refer the audit report to the OAG **before** you issue the audit report.

Scope of this Statement

1. This Auditor-General's Auditing Statement:
 - (a) establishes the Auditor-General's requirements in relation to [ISA \(NZ\) 705 \(Revised\) Modifications to the Opinion in the Independent Auditor's Report](#) (ISA (NZ) 705);¹ 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) 705 and the additional requirements included in this Statement.
3. The additional requirements, that are contained in AG ISA (NZ) 700 and/or this Statement relate to:
 - (a) applying specific phrases in the audit report where ISA (NZ) 705 contains optional phrases. These phrases are commonly applied in New Zealand;
 - (b) providing specific expectations for consultation with the OAG on the audit report and translations; and
 - (c) amending the layout or positioning of specific sections of the audit report as required by ISA (NZ) 700, paragraphs 21-49.

¹ 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".

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 Auditor-General must (at a minimum) comply with the “auditing and assurance standards” that apply to an audit of an FMC reporting entity.² Audit reports related to FMC reporting entities have to comply with:
 - (a) ISA (NZ) 700, paragraphs 21-49 (as illustrated in examples 1 and 2 of the appendix); and
 - (b) ISA (NZ) 705, paragraphs 16-29 (as illustrated in examples 1, 2, and 3 of the appendix).
5. This Statement applies to audits of financial statements and/or performance information commencing on or after 1 April 2023.

Objective

6. The objective of the Appointed Auditor in terms of this Statement is to clearly express a modified opinion on the financial statements and/or performance information where necessary, in accordance with ISA (NZ) 705 and in accordance with the requirements in this Statement.

Definitions

7. For the purpose of this Auditor-General's Auditing Statement, the defined term listed below has the following meaning:

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.

² 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.

Requirements

Authority to issue audit reports that contain qualified opinions

8. Unless otherwise directed by the Auditor-General, Appointed Auditors are authorised to issue audit reports that contain qualified opinions without prior approval from the Auditor-General. This authority does not extend to modifications where the matter is, or could be, pervasive to the financial statements and/or performance information. Appointed Auditors shall consult with the Audit Quality team at the OAG on pervasive matters in accordance with [AG ISA \(NZ\) 700](#).

Matters to consider when preparing a modified audit opinion

9. Subject to paragraph 4 regarding the layout of the audit reports of FMC reporting entities, the Appointed Auditor shall refer to the audit report templates issued by the OAG when formulating an audit report with a modified opinion. Audit report templates are located:
 - (a) in the online portal for auditors; and
 - (b) in Appendices 1 and 2 of AG ISA (NZ) 700.In addition, Appointed Auditors should refer to the examples of audit reports with modified opinions in Appendix 1 of this Statement.

Appendix 1 – Examples of modified audit reports

There are four examples of modified audit opinions in this Appendix. The examples have been prepared to assist Appointed Auditors in presenting and formatting the audit report.

The examples are based on a public entity that has prepared financial statements and performance information in accordance with a fair presentation framework.

Example 1: A qualified opinion where the Appointed Auditor has obtained sufficient appropriate audit evidence and concludes that misstatements, individually or in the aggregate, are material but not pervasive.

Nature of the matter giving rise to the modification	Auditor’s judgement about the pervasiveness of the effects or possible effects on the financial and performance information	
	Material but not pervasive	Material and pervasive
The financial and performance information is materially misstated	Qualified opinion	Adverse opinion
Inability to obtain sufficient appropriate audit evidence	Qualified opinion	Disclaimer of opinion

Example 2: A qualified opinion when the Appointed Auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion and concludes that the possible effects of undetected misstatements, if any, could be material but not pervasive.

Nature of the matter giving rise to the modification	Auditor’s judgement about the pervasiveness of the effects or possible effects on the financial and performance information	
	Material but not pervasive	Material and pervasive
The financial and performance information is materially misstated	Qualified opinion	Adverse opinion
Inability to obtain sufficient appropriate audit evidence	Qualified opinion	Disclaimer of opinion

Example 3: An adverse opinion where the Appointed Auditor has obtained sufficient appropriate audit evidence and concludes that misstatements, individually or in the aggregate, are both material and pervasive.

Nature of the matter giving rise to the modification	Auditor's judgement about the pervasiveness of the effects or possible effects on the financial and performance information	
	Material but not pervasive	Material and pervasive
The financial and performance information is materially misstated	Qualified opinion	Adverse opinion
Inability to obtain sufficient appropriate audit evidence	Qualified opinion	Disclaimer of opinion

Example 4: A disclaimer of opinion when the Appointed Auditor is unable to obtain sufficient appropriate audit evidence on which to base an opinion and concludes that the possible effects of undetected misstatements, if any, could be both material and pervasive.

Nature of the matter giving rise to the modification	Auditor's judgement about the pervasiveness of the effects or possible effects on the financial and performance information	
	Material but not pervasive	Material and pervasive
The financial and performance information is materially misstated	Qualified opinion	Adverse opinion
Inability to obtain sufficient appropriate audit evidence	Qualified opinion	Disclaimer of opinion

Example 1: Qualification – Disagreement – Material but not pervasive – Non-disclosure of related party transactions

[Firm's letterhead]

Independent Auditor's Report to the [readers] of [Name of Entity]'s Financial Statements and Statement of Performance for the year ended [DD MM 20XX]

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.

We have audited:

- the financial statements of the [entity type] on pages [...] to [...], that comprise 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 included accounting policies and other explanatory information]; and
- the statement of performance of the [entity type] on pages [...] to [...].

Qualified opinion

Qualified opinion on the financial statements – Non-disclosure of related party transactions

In our opinion, except for the matter described in the *Basis for our qualified opinion* section of our report, 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].

Unmodified opinion on the statement of performance

In our opinion, 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 of the financial statements and the statement of performance was completed on [date]. This is the date at which our qualified opinion is expressed.

The basis for our qualified 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 our qualified opinion

The [entity type] has not provided us with evidence that the other remuneration and compensation paid to key management personnel and to close members of key management personnel has been charged to the [entity type] on normal commercial terms. If other remuneration and compensation of this nature is not charged on normal commercial terms, [entity type] is required to disclose the total amount of other remuneration and compensation paid to key management personnel and to close members of key management personnel in accordance with Public Benefit Entity International Public Sector Accounting Standard 20: *Related Party Disclosures*.

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 qualified opinion.

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)].

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 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.

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.
- 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.
- 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.

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 [...] to [...], 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.

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: *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].]

[Signature of Appointed Auditor]

[Name of Appointed Auditor]

[Name of auditing firm]

On behalf of the Auditor-General

[City], New Zealand

Example 2: Qualification – Uncertainty – Material but not pervasive – Limited control over revenue

[Firm's letterhead]

Independent Auditor's Report to the [readers] Of [Name of Entity]'s Financial Statements and Statement of Performance for the year ended [DD MM 20XX]

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.

We have audited:

- the financial statements of the [entity type] on pages [...] to [...], that comprise 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 [...].

Qualified opinion

Qualified opinion on the financial statements – Limited control over door-to-door collections revenue

In our opinion, except for the matter described in the *Basis for our qualified opinion* section of our report, 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].

Unmodified opinion on the statement of performance

In our opinion, 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 of the financial statements and the statement of performance was completed on [date]. This is the date at which our qualified opinion is expressed.

The basis for our qualified 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 our qualified opinion

The controls are weak for managing money gathered during door-to-door collections. The revenue from door-to-door collections is disclosed in Note Z to the financial statements as \$[xxx] ([20XX-1]: \$[yyy]). There are no satisfactory audit procedures that we could use to independently confirm that all the revenue from door-to-door collections was properly recorded.

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 qualified opinion.

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)].

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 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.

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.
- 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.

- 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.

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 [...] to [...], 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.

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: *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].]

[Signature of Appointed Auditor]

[Name of Appointed Auditor]

[Name of auditing firm]

On behalf of the Auditor-General

[City], New Zealand

Example 3: Adverse – Disagreement – Material and pervasive – Non-recognition of heritage assets

[Firm's letterhead]

Independent Auditor's Report to the [readers] of [Name of Entity]'s Financial Statements and Statement of Performance for the year ended [DD MM 20XX]

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.

We have audited:

- the financial statements of the [entity type] on pages [...] to [...], that comprise 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 [...].

Adverse opinion

Adverse opinion on the financial statements – Non-recognition of heritage assets

In our opinion, because of the significance of the matter discussed in the *Basis for our adverse opinion* section of our report, the financial statements of the [entity type] on pages [...] to [...]:

- do not present fairly, in all material respects:
 - its financial position as at [DD MM 20XX]; and
 - its financial performance for the year then ended; and
- do not comply with generally accepted accounting practice in New Zealand and have not been prepared in accordance with [the applicable financial reporting framework].

Unmodified opinion on the cash flows and statement of performance

In our opinion, the statement of cash flows on page [...]:

- presents fairly, in all material respects, the cash flows for the year ended [DD MM 20XX]; and

- complies with generally accepted accounting practice in New Zealand in accordance with [the applicable financial reporting framework].

In our opinion, 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 of the financial statements and the statement of performance was completed on [date]. This is the date at which our adverse opinion is expressed.

The basis for our adverse 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 our adverse opinion

The [entity type] has not recognised its heritage assets in the statement of financial position, nor the associated depreciation expense in the statement of comprehensive revenue and expense. This is not in keeping with Public Benefit Entity International Public Sector Accounting Standard 17: *Property, Plant and Equipment*, which requires assets to be recognised and depreciated during their useful lives. Because heritage assets make up a substantial proportion of the [entity type]'s total assets, leaving them out means the financial statements are fundamentally misleading.

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 adverse opinion.

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)].

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 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.

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.

- 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.
- 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.

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.

Other information

The [governing body] is responsible for the other information. The other information comprises the information included on pages [...] to [...], 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.

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: *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].]

[Signature of Appointed Auditor]

[Name of Appointed Auditor]

[Name of auditing firm]

On behalf of the Auditor-General

[City], New Zealand

Example 4: Disclaimer – Uncertainty – Material and pervasive – Loss of accounting records

[Firm's letterhead]

Independent Auditor's Report to the [readers] of [Name of Entity]'s Financial Statements and Statement of Performance for the year ended [DD MN 20XX]

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.

Disclaimer of opinion

We are required to audit:

- the financial statements of the [entity type] on pages [...] to [...], that comprise 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 significant accounting policies and other explanatory information]; and
- the statement of performance of the [entity type] on pages [...] to [...].

We do not express an opinion on the financial statements and the statement of performance of the [entity type].

Because of the significance of the matter described in the *Basis for our disclaimer of opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements and the statement of performance.

The date of our disclaimer of opinion is [date].

We outline the responsibilities of the [governing body] and our responsibilities relating to the financial statements and the statement of performance, and we explain our independence.

Basis for our disclaimer of opinion

As stated in note [...] on page [...], a fire at the [entity type]'s head office destroyed many of the accounting records needed to prepare the financial statements and the statement of performance. As a consequence, we were unable to obtain sufficient appropriate audit evidence that would have allowed us to form an audit opinion.

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)].

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

Our responsibility is to:

- carry out an audit of the [entity type]'s financial statements and statement of performance 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; and
- issue an auditor's report.

However, because of the matters described in the *Basis for our disclaimer of opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements and the statement of performance.

Our responsibilities arise from the Public Audit Act 2001.

Our independence and other ethical responsibilities

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: *Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board. We have also fulfilled our other ethical responsibilities in accordance with Professional and Ethical Standard 1: *Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*.

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

Or

[We have carried out engagements in the areas of [insert description of engagements], which are compatible with those independence requirements. Other than in our capacity as auditor and these engagements, we have no relationship with, or interests in, the [entity type].]

[Signature of Appointed Auditor]

[Name of Appointed Auditor]

[Name of auditing firm]

On behalf of the Auditor-General

[City], New Zealand