

2 November 2015

Kathleen Healy
Technical Director
International Auditing and Assurance Standards Board
545 Fifth Avenue, 14th Floor
New York, 10017
USA

Dear Kathy,

IAASB Exposure Draft, Engagements to Report on Summary Financial Statements.

Thank you for the opportunity to comment on this Exposure Draft. We submit the feedback from the New Zealand Auditing and Assurance Standards Board (NZAuASB) to the specific questions raised in the exposure draft in the attachment.

The NZAuASB is supportive of the limited conforming amendments to ISA 810.

In New Zealand, the NZAuASB has issued ISA (NZ) 810, which conforms with extant ISA 810. In New Zealand, summary financial statements are required to be prepared and audited in limited circumstances. There is a domestic financial reporting standard that has been issued by the New Zealand Accounting Standards Board that establishes criteria to be used to prepare summary financial statements, that is FRS 43 *Summary Financial Statements*. There are also instances where entities voluntarily prepare summary financial statements and may also voluntarily have these audited.

There are limited legislative requirements that require summary financial statements to be audited in New Zealand:

- In the public sector, every local authority is required to prepare summary financial statements and have those summary financial statements audited. (required by the Local Government Act 2002) Other public entities may elect to prepare summary financial statements and have them audited. The audit of the summary financial statements is carried out under ISA (NZ) 810 and the accompanying Auditor-General's statement.
- Auditors may be engaged to audit summary financial statements even where there is no legislative requirement to do so.

Should you have any queries concerning our submission please contact either myself at the address details provided below or Sylvia van Dyk (sylvia.vandyk@xrb.govt.nz).

Yours sincerely,



Neil Cherry

Chairman

Email: neil.cherry@xrb.govt.nz

Submission of the New Zealand Auditing and Assurance Standards Board

Exposure Draft *Engagements to Report on Summary Financial Statements*

I Schedule of Responses to the IAASB's Specific Questions

- 1. Whether respondents agree with the manner in which paragraph 17 has been changed to address reference to additional information that may be included in the auditor's report on the audited financial statements, as well as the additional guidance proposed in paragraph A15 and Illustration 1 of the Appendix to proposed ISA 810 (Revised)?**

Response:

Yes, the NZAuASB agrees with the proposed amendments to paragraph 17. The NZAuASB considers that these changes are required to address the information gap that would otherwise be created. The NZAuASB is also supportive of the requirement to state that the auditor's report on the audited financial statements includes communication of key audit matters, but does not require any more detail on the individual key audit matters (as highlighted in proposed paragraph A15). The NZAuASB is supportive of the decision not to list the key audit matters or require descriptions of key audit matters.

The NZAuASB is also supportive of the proposed amendments to Illustration 1 and considers that these amendments are helpful to illustrate how the revisions would apply in practice. The NZAuASB considers that the additional contextual information included regarding key audit matters in the illustrative report, rather than just the required statement is also helpful.

- 2. Whether respondents believe any further changes to ISA 810 are necessary as a result of the new and revised Auditor Reporting standards. If so, the IAASB would like to understand respondents' rationale as to why these further changes are needed as well as views as to when the Board should develop and propose such changes in light of its other priorities.**

Response:

The NZAuASB agrees that an ISA 810 engagement is substantively different from the audit of financial statements and therefore agrees that limited amendments are appropriate, however consider some additional elements of the auditor reporting project should be carried forward to ISA 810 (Revised).

The NZAuASB note that the IAASB has not mandated the positioning of the opinion section to come first, as required by ISA 700 (Revised). We note however that the opinion section has been moved in the illustrative report. We support moving the opinion first but acknowledge that ISA 810 may need to permit more flexibility in order to accommodate varying laws and regulations in different jurisdictions. On this basis we support the decision not to mandate the order of the report, but support the illustration which does so.

The NZAuASB also note the requirement for the auditor to include an explicit statement of independence, with identification of the relevant ethical requirements, has not been carried forward to ISA 810 (Revised). We would recommend that this requirement should be added to ISA 810 (Revised). The importance of independence does not differ between an ISA 810 audit of summary financial statements or for an audit under ISA 700 of a complete set of financial statements, and even though this information is available in the auditor report on the financial statements, this is still a relevant factor in the audit of the summary financial statements. The NZAuASB therefore considers that the IAASB

should require the auditor's report to include a statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit, and has fulfilled the auditor's other ethical responsibilities in accordance with these requirements.

In New Zealand, ISA (NZ) 810 is not used extensively. There is a domestic financial reporting standard that establishes criteria for the preparation of summary financial statements. The NZAuASB is aware that in other jurisdictions, ISA 810 is used more extensively, but that the audit opinion on the summary financial statements will be impacted by local jurisdictions laws and regulations and financial reporting requirements. Therefore any project to further revise ISA 810, would need to provide flexibility for local jurisdictions. The NZAuASB do not consider that a project to further revise ISA 810 is a priority at this time for the IAASB.

General matters

Effective Date— In line with the effective date of the new and revised Auditor Reporting standards, the effective date of the Proposed Limited Conforming Amendments to ISA 810 is for engagements to report on summary financial statements for periods ending on or after December 15, 2016.

Response:

The NZAuASB supports the proposed effective date to align to the auditor reporting package.