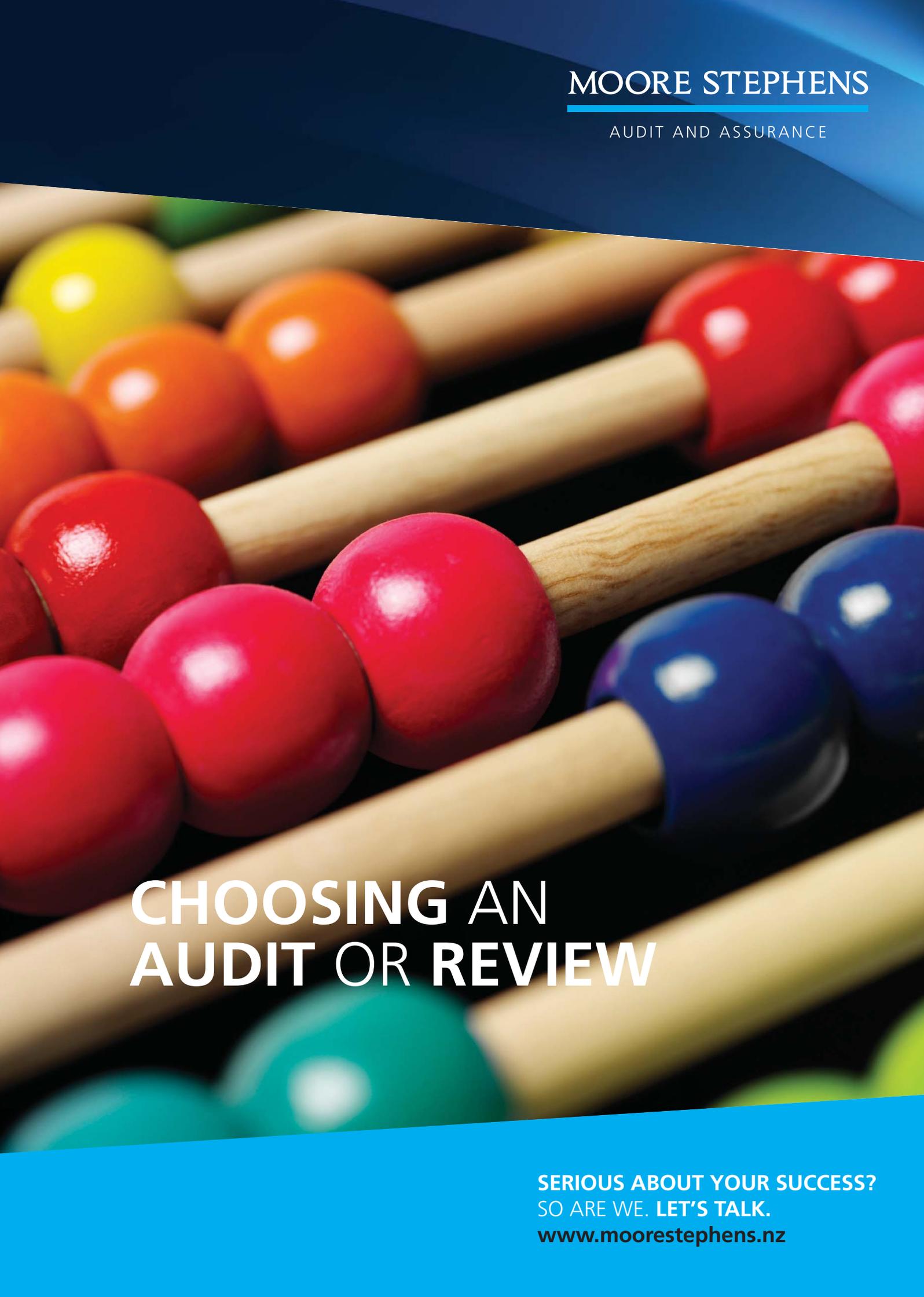


MOORE STEPHENS

AUDIT AND ASSURANCE

A close-up photograph of several wooden sticks with colorful beads (red, orange, yellow, blue, green) arranged in a grid-like pattern, slightly out of focus in the background and sharp in the foreground. The top and bottom of the page feature blue geometric shapes.

CHOOSING AN AUDIT OR REVIEW

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Which engagement?

In deciding on which assurance engagement is appropriate to your entity's needs, external stakeholders should be consulted and agreement reached with any decision to move from an audit to a review engagement. A change in the constitution or rules may also be required to allow for a review engagement.

Legal requirements

Some organisations are legally required to be audited such as:

- FMC Reporting Entities
- Charities with expenditure over \$1 million
- Large Companies, Large Partnerships, and Large Limited Partnerships (either total assets >\$60million or total revenue >\$30million), although some opt-out provisions can apply
- Large companies with >25% overseas ownership (either total assets >\$20million or total revenue >\$10million)
- Friendly Societies (total operating payments of over \$125,000)

Registered Charities with expenditure between \$500,000 and \$1million have the choice of either an audit or review.

Body Corporates, under the Unit Titles Act 2010 have the option to have either an audit, a review, specific verification procedures or no assurance engagement at all.

Audits or reviews may be required from banks, funding agencies or government departments.

Audits

The purpose of an audit is to enhance the degree of confidence of intended users in the financial statements. This is achieved by the expression of an opinion by the auditor on whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Audits needn't always be a "tick the box" compliance exercise. Not if it's tailored so it works for you. We believe that an audit should seek to go beyond the numbers so as to uncover opportunities for improvement in controls and obtain a higher quality of information to assist in making day-to-day decisions more effective.

Reviews

A review engagement is limited primarily to inquiries of personnel and analytical review procedures and therefore provides less assurance than an audit. What this means in practice is that the assurance practitioner does not resort to detailed testing and verification of transactions and balances.

With a review, there is a greater risk of a material misstatement in the financial statements not being identified.

As the level of work performed is substantially less than an audit, a review can be a cost effective alternative for those entities that are not legally required to have an audit.

What's the difference?

Here's a summary of the main differences between an Audit and a Review.

| | Audit | Review |
|-----------------------------|--|---|
| Level of assurance | An audit provides a high level of assurance about whether the financial statements as a whole are free from material errors or fraud. | A review provides limited assurance about whether the financial statements as a whole are free from material errors or fraud. This is less assurance than what an audit provides. |
| Assurance standards | International Standards on Auditing (NZ) - (ISA (NZ)) | International Standards on Review Engagements (NZ) - (ISRE (NZ)) - specifically ISRE (NZ) 2400 |
| Nature of procedures | <p>Determined by the auditor with reference to ISAs.</p> <p>Procedures normally involve detailed tests of accounting records using techniques such as inspection, observation, confirmation, recalculation and re-performance, as well as analytical review procedures and discussions with those responsible for financial and accounting matters</p> | <p>Determined by the assurance practitioner with reference to ISRE (NZ) 2400.</p> <p>Procedures are primarily based on analytical review procedures and inquiries with those responsible for financial and accounting matters.</p> <p>More extensive procedures can be performed if something causes the assurance practitioner to believe that there may be material misstatement in the financial statements</p> |
| Report provided | <p>Independent Auditor's Report</p> <p>The report is in the form provided by the auditing standards.</p> <p>An opinion is expressed by the auditor in the report. This gives positive assurance stating that... "the financial statements present fairly, in all material respects" ...</p> | <p>Independent Assurance Practitioner's Report</p> <p>The report is in the form provided by the review engagement standards.</p> <p>A conclusion is expressed by the assurance practitioner in the report. This gives negative assurance stating that... "nothing has come to our attention that causes us to believe that the accompanying financial statements do not present fairly, in all material respects" ...</p> |



Moore Stephens

We are one of the few remaining audit practices trading as a national network of independent firms rather than being a national firm. This gives us the great advantage of ensuring we maintain a local focus on clients, whilst still maintaining access to national resources.

We provide audits and reviews and a variety of other assurance services. Contact your local Moore Stephens Audit office to discuss your requirements.

Our services include:

- Financial statement audits
- Financial statement review engagements
- Due diligence assignments
- Financial reporting and disclosure services
- Special purpose audits
- Agreed-upon procedures
- Internal control reviews
- Real estate trust account audits
- Vote scrutineering
- Other special purpose engagements.

Due to independence requirements, our audit team doesn't provide financial statement preparation services, but we can point you in the right direction.

Should you have any questions about any of the articles in this publication, please contact your local audit team.

Moore Stephens Markhams Auckland Audit

Level 10, 203 Queen Street
PO Box 2194, Auckland 1140, New Zealand
T +64 (0)9 309 6011

Moore Stephens Christchurch Audit

335 Lincoln Road, Addington
PO Box 13 104, Christchurch 8141, New Zealand
T +64 (0)3 379 6710

Moore Stephens Wairarapa Audit

40 Perry Street
PO Box 190, Masterton 5840, New Zealand
T +64 (0)6 929 7734

Moore Stephens Wellington Audit

Level 11, 34-42 Manners Street
PO Box 24324, Wellington 6142, New Zealand
T +64 (0)4 910 1093

www.moorestephens.nz

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