

AG ISA (NZ) 701

The Auditor-General's Statement
on Communicating Key Audit Matters
in the Independent Auditor's Report



CONTROLLER ^{AND} AUDITOR-GENERAL

Tumuaki o te Mana Arotake

AG ISA (NZ) 701

The Auditor-General's Statement on Communicating Key Audit Matters in the Independent Auditor's Report

Contents

Introduction	1
At a glance	1
Scope of this Statement	1
Application	1
Objectives	2
Definitions	2
Requirements	2
Determining key audit matters	2
Communicating key audit matters	2
Application and other explanatory material	3
Determining key audit matters	3
Communicating key audit matters	3

Introduction

At a glance

This standard differs from the [underlying standard ISA \(NZ\) 701 \(XRB website\)](#) by requiring you to apply the requirements of ISA (NZ) 701 to performance information prepared by public benefit entities.

Scope of this Statement

1. This Auditor-General's Auditing Statement:
 - (a) establishes the Auditor-General's requirements in relation to [ISA \(NZ\) 701: *Communicating Key Audit Matters in the Independent Auditor's Report*](#) (ISA (NZ) 701);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) 701 and the additional requirements included in this Statement.
3. 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:
 - ISA (NZ) 700, paragraphs 21-49 as illustrated in examples 1 and 2; and
 - ISA (NZ) 701, paragraphs 11-16.
4. This Statement applies to audits of financial statements and/or performance information commencing on or after 1 April 2023.

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 performance information".

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.

Objectives

5. The objectives of the Appointed Auditor are to determine key audit matters and, having formed an opinion on the financial statements and, where applicable, performance information, communicate those matters by describing them in the auditor's report.³

Definitions

6. 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 or other engagement 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.

Requirements

Determining key audit matters

7. Appointed Auditors of public entities that are public benefit entities, and whose primary purpose is to provide goods and/or services to New Zealand citizens, shall also apply the requirements in paragraphs 9 and 10 of ISA (NZ) 701 to performance information that is reported, or should be reported, by the public entity [\(Ref: Para. A1\)](#).

Communicating key audit matters

8. When communicating key audit matters, the Appointed Auditor shall follow the guidance issued by the OAG [\(Ref: Para. A2\)](#).

³ The objective should be read in addition to the objectives in AG ISA (NZ) 700.

Application and other explanatory material

Determining key audit matters [\(Ref: Para. 7\)](#)

- A1. The purpose of public entities that are public benefit entities is to provide goods and/or services in the public interest. Where the audit report of a public entity that is also a public benefit entity will include key audit matters, the Appointed Auditor will need to consider the application of the requirements of paragraphs 9 and 10 of ISA (NZ) 701 to both the financial statements and performance information. In doing so, Appointed Auditors should consider consulting with the OAG Sector Manager about the key audit matters that are proposed to be reported.

Communicating key audit matters [\(Ref: Para. 8\)](#)

- A2. *Communicating Key Audit Matters on behalf of the Auditor-General: Guidance to Appointed Auditors* is available in the online portal for auditors. The guidance reflects the Auditor-General's format, presentation, and language style, which are illustrated in an example. The format and presentation do not depart from the requirements of ISA (NZ) 701.