

**AG ISA (NZ) 450**  
**THE AUDITOR-GENERAL'S STATEMENT ON**  
**EVALUATION OF MISSTATEMENTS IDENTIFIED DURING THE ANNUAL**  
**AUDIT**

**Contents**

	Page
Introduction	3 - 3301
Scope of this Statement	3 - 3301
Application	3 - 3301
Objectives	3 - 3301
Definitions	3 - 3301
Requirements	3 - 3302
Evaluating the effect of uncorrected misstatements	3 - 3302
Evaluating issues of non-compliance with laws and regulations	3 - 3302
Evaluating issues of effectiveness and efficiency, waste, or a lack of probity or financial prudence	3 - 3302

## Introduction

### Scope of this Statement

1. This Auditor-General's Auditing Statement:
  - (a) establishes the Auditor-General's requirements in relation to ISA (NZ) 450: *Evaluation of Misstatements Identified During the Audit* (ISA (NZ) 450);<sup>1</sup> and
  - (b) provides additional 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 all of the requirements of ISA (NZ) 450 and the additional requirements included in this Statement.
3. This Statement applies to audits of financial statements and/or performance information that have been prepared for reporting periods beginning on or after 1 April 2020, although earlier application is encouraged.

## Objectives

4. The objectives of the Appointed Auditor are to:
  - (a) evaluate the effect of identified misstatements on the annual audit in keeping with the requirements of ISA (NZ) 450;
  - (b) evaluate the effect of uncorrected misstatements, if any, on the financial and performance information;
  - (c) evaluate the effect of any identified non-compliance with laws and regulations; and
  - (d) evaluate any matters of effectiveness and efficiency, waste, or a lack of probity or financial prudence identified during the audit.

## Definitions

5. For the purpose of this Auditor-General's Auditing Statement, the defined terms have the meanings attributed:

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<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".

- (a) in the Glossary of Terms issued by the New Zealand Auditing and Assurance Standards Board (the NZAuASB glossary) of the External Reporting Board (although, where a term with a specific meaning in the New Zealand public sector differs from the NZAuASB glossary, the New Zealand public sector definition shall prevail); and
- (b) in the Auditor-General's Glossary of Terms.

## Requirements

### Evaluating the effect of uncorrected misstatements

6. In complying with paragraph 10 of ISA (NZ) 450, the Appointed Auditor shall, prior to evaluating the effect of uncorrected misstatements, confirm, when reassessing materiality determined in keeping with AG ISA (NZ) 320, whether materiality remains appropriate given the public entity's actual results.

### Evaluating issues of non-compliance with laws and regulations

7. The Appointed Auditor shall evaluate, in consultation with the OAG if necessary, any issues of non-compliance with statutory obligations that were identified during the annual audit. Such evaluation is primarily to determine whether further audit procedures are necessary and/or how the additional matters identified during the annual audit should be reported. For further guidance, refer to AG ISA (NZ) 250 (Revised): *Consideration of Laws and Regulations*.

### Evaluating issues of effectiveness and efficiency, waste, or a lack of probity or financial prudence

8. The Appointed Auditor shall evaluate, in consultation with the OAG if necessary, any issues of effectiveness and efficiency, waste, or a lack of probity or financial prudence that were identified during the annual audit. Such evaluation is primarily to determine whether further audit procedures are necessary and/or how the additional matters identified during the annual audit should be reported.