

**AG ISA (NZ) 701
THE AUDITOR-GENERAL'S STATEMENT ON
COMMUNICATING KEY AUDIT MATTERS IN THE INDEPENDENT
AUDITOR'S REPORT**

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Introduction

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 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) 701 together with the additional requirements included in this Statement, other than for the audits of FMC reporting entities, where the wording and format of the audit report must meet the requirements of ISA (NZ) 701. Appointed Auditors who carry out annual audits of FMC reporting entities on behalf of the Auditor-General shall comply with 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 ending on or after 1 April 2020, although earlier application is encouraged.

Objectives

4. 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.²

Definitions

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

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

- 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

Determining key audit matters

6. Appointed Auditors of public entities that are public benefit entities 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).

Application and other explanatory material

Determining key audit matters (ref: para. 6)

- 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 financial 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.