

AG ISA (NZ) 300

The Auditor-General's Statement on Planning the Annual Audit



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Introduction

At a glance

The standard expands on the [underlying standard ISA \(NZ\) 300 \(XRB website\)](#) in that:

- you also need to incorporate the requirements of the OAG into the overall audit strategy and audit plan.

Scope of this Statement

1. This Auditor-General's Auditing Statement:
 - (a) establishes the Auditor-General's requirements in relation to [ISA \(NZ\) 300: Planning an Audit of Financial Statements](#) (ISA (NZ) 300)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) 300 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 2023, although earlier application is encouraged.

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 historical performance information".

Objectives

4. The objectives of the Appointed Auditor are to:
 - (a) plan the annual audit so that it will be performed in accordance with the Auditor-General's Auditing Standards and in an effective and efficient manner; and
 - (b) ensure that the audit plan takes account of the need for the auditor to maintain an awareness of whether the public entity is:
 - applying its resources effectively and efficiently;
 - minimising waste;
 - conducting its business with due regard to probity; and
 - acting in a financially prudent manner.

Definitions

5. 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

Preliminary engagement activities

6. The Appointed Auditor shall take into account the acceptance and continuance procedures outlined in [AG PES 3: Quality Management for Firms that Perform Audits or Other Engagements on Behalf of the Auditor-General](#) when complying with the requirements in paragraph 6(a) of ISA (NZ) 300.

Planning activities including the use of audit briefs

7. The Appointed Auditor shall incorporate the requirements of the OAG, including information and instructions contained in the applicable audit brief, into their overall audit strategy and audit plan in meeting the requirements of paragraphs 8 and 9 of ISA (NZ) 300 ([Ref: Para. A1-A4](#)).
8. The Appointed Auditor shall consider the relevant public sector perspective when developing their overall audit strategy and audit plan in accordance with the requirements of paragraphs 8 and 9 in ISA (NZ) 300. Some of that perspective may be included in the following standards and statements:
 - (a) [AG-2](#): *The appropriation audit and the controller function*;
 - (b) [AG-3](#): *The approach to issues arising from section 16(1) of the Public Audit Act 2001*;
 - (c) [AG-4](#): *The audit of performance reports*;
 - (d) [AG ISA \(NZ\) 250 \(Revised\)](#): *Consideration of laws and regulations*;
 - (e) [AG ISA \(NZ\) 315 \(Revised 2019\)](#): *Identifying and assessing the risks of material misstatement*; or
 - (f) [AG ISA \(NZ\) 320](#): *Materiality in planning and performing an annual audit*.
9. The Appointed Auditor shall personally approve the overall audit strategy.

Nature of the public entity's objectives to be taken into account in audit planning

10. Paragraphs 8 and 9 of ISA (NZ) 300 prescribe procedures to be performed in establishing the overall audit strategy and audit plan. In identifying the characteristics of the engagement that define its scope (as per paragraph 8(a) of ISA (NZ) 300), the Appointed Auditor shall establish the purpose of the public entity – in particular, whether it primarily provides goods or services for community or social benefit, or whether it has commercial objectives as its primary purpose ([Ref: Para. A5-A7](#)).

Application and other explanatory material

Planning activities including the use of audit briefs [\(Ref: Para. 7\)](#)

- A1. Although the Auditor-General is the auditor of every public entity under section 14(1) of the Public Audit Act 2001 (the Act), the Auditor-General is personally unable to plan every annual audit of every public entity. This is why the Auditor-General appoints auditors to carry out those annual audits.
- A2. The Auditor-General has approved the approach outlined in paragraphs A3 to A5 below to ensure that the expectations in the Act are incorporated into all planning activities carried out for every annual audit of every public entity. The approach is intended to ensure that the requirements of paragraphs 6 to 11 of ISA (NZ) 300 appropriately reflect the public sector perspective.
- A3. In the most common situation, where an Appointed Auditor signs the audit report on behalf of the Auditor-General, the Appointed Auditor will meet the requirements of paragraphs 6 to 11 of ISA (NZ) 300 by incorporating the instructions of the OAG. The instructions of the OAG are normally provided to the Appointed Auditor in the form of an audit brief.
- A4. Each audit brief will be based on audit planning that is carried out by the OAG. Audit briefs may contain:
- those factors identified by the OAG that would be significant in directing the audit team's effort, including specific instructions; or
 - those factors identified by the OAG that the Appointed Auditor should consider as part of understanding the entity and its environment, in keeping with the requirements of ISA (NZ) 315 and AG ISA (NZ) 315, including any general or specific guidance on the nature and purpose of public entities and/or on any sensitivities or risks to be considered in designing the audit approach.

Nature of the public entity's objectives to be taken into account in audit planning [\(Ref: Para. 10\)](#)

- A5. As a general rule, the purpose of public entities will be set out in any enabling legislation or elaborated in other government, governing body, or internal policy statements, or founding documents. These documents will set out the fundamental objectives of the public entity and also how it will be resourced to achieve these objectives.
- A6. The primary purpose of most public entities is the provision of goods and services, often called "public services". In these entities, the primary audit focus is on whether the entity has in fact provided the goods and services in keeping with Parliament's intentions. In this situation, the Appointed Auditor will need to consider targeting their audit effort to the expenditure streams and any associated performance information of the public entity. Most of these types of public entities are primarily funded by means of grants from taxpayers' or ratepayers' funds.

- A7. For those public entities that are self-funding (to a significant extent or totally) through trading activities, the audit focus may be more on the Statement of Financial Position, with secondary consideration of revenue and expenditure streams. Examples of these types of public entities are commonly referred to as the “commercial” sector, including State-owned enterprises and council-controlled trading organisations.