

AG ISA (NZ) 600

The Auditor-General's Statement
on Special Considerations – Audits
of Group Financial and Performance
Information (Including the Work of
Component Auditors)



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Introduction

At a glance

This standard differs from the [underlying standard ISA \(NZ\) 600](#) in that:

- it describes the Auditor-General's expectation that auditors working for different audit service providers co-operate and, if overseas, apply the Auditor-General's Auditing Standards, when auditing Component entities in a group; and
- it sets out when the Group Appointed Auditor needs to consult with the Assistant Auditor-General Audit Quality at the OAG.

Scope of this Statement

1. This Auditor-General's Auditing Statement establishes the Auditor-General's requirements in relation to [ISA \(NZ\) 600 \(Revised\): Special Considerations – Audits of Group Financial Statements \(Including the Work of Component Auditors\)](#) (ISA (NZ) 600).
2. This Statement specifies how the requirements in ISA (NZ) 600 apply to the annual audits of groups in the public sector.
3. This Statement also specifies that the Auditor-General's Auditing Standards apply to the audits of group financial statements, including individual entities within the group that are not public entities.

Application

4. Compliance with this Statement is mandatory for all Appointed Auditors who carry out annual audits on behalf of the Auditor-General and particularly, for Appointed Auditors of a group. The requirements that apply to Appointed Auditors have a sub-heading "All Appointed Auditors" and those that apply to Group Appointed Auditors specifically have a sub-heading "Group Appointed Auditor".
5. This Statement requires Appointed Auditors to take account of the public sector context when complying with ISA (NZ) 600. The Auditor-General is the auditor of all public entities and appoints auditors from audit service providers to carry out the audits on the Auditor-General's behalf.
6. This Statement applies to annual audits of a group on behalf of the Auditor-General that have been prepared for reporting periods ending on or after 30 June 2025.

Objective

7. The objective of the Group Appointed Auditor is to comply with ISA (NZ) 600 in the public sector context, and the additional requirements of this Statement, where relevant, when:
- (a) obtaining sufficient appropriate audit evidence to form an opinion on the group financial statements, and the performance information disclosed in the group annual report; and
 - (b) identifying and reporting issues of concern to the Auditor-General in accordance with [AG 3](#).

Definitions

8. For the purpose of this Statement, the defined terms listed below have the following meanings:

Appointed Auditor

means the person appointed by the Auditor-General to carry out the annual audit of a public entity, on behalf of the Auditor-General, in accordance with the Auditor-General's Auditing Standards, and who is supported by other members of the engagement team.

Component

means an entity that forms part of a group and may be either a component that is a public entity (see definition below) or a component that is not a public entity (see definition below) (Ref: Para A1).

Component that is a public entity

means a subsidiary, a joint venture, or an investment accounted for by the equity method that is a public entity as defined in the Public Audit Act 2001. The subsidiary, joint venture, or investment accounted for by the equity method may have a statutory requirement to be audited as a stand-alone entity. Such audits are performed by the Auditor-General or an Appointed Auditor on their behalf.

Component that is not a public entity

means a subsidiary, a joint venture, or an investment accounted for by the equity method that is not a public entity as defined in the Public Audit Act 2001. The subsidiary, joint venture, or investment accounted for by the equity method may have a statutory requirement to be audited as a stand-alone entity. Such audits are not performed by the Auditor-General or an Appointed Auditor on their behalf. Where applicable to the parent entity, this includes a subsidiary, a joint venture, or an investment accounted for by the equity method that are domiciled in an overseas jurisdiction.

Group Appointed Auditor

means the person appointed by the Auditor-General to carry out the annual audit of group financial statements, on behalf of the Auditor-General, and who is supported by other members of the engagement team.

Requirements

General

Group Appointed Auditor

9. In applying ISA (NZ) 600, the Group Appointed Auditor shall comply with the Auditor-General's Auditing Standards.

Components that are public entities and audited as stand-alone entities

Group Appointed Auditor

Overall group audit strategy and group audit plan

10. In applying the requirement in paragraph 22 of ISA (NZ) 600, when the Group Appointed Auditor has determined the Components where audit work will be carried out, the Group Appointed Auditor shall involve the Appointed Auditors of those Components for the purposes of auditing the group financial statements.

All Appointed Auditors

Working co-operatively

11. Appointed Auditors of Components and the Group Appointed Auditor shall work co-operatively, so that the Group Appointed Auditor can carry out the audit of the group financial statements, effectively and efficiently, on behalf of the Auditor-General (Ref: [Para A2-A4](#)).

Group Appointed Auditor

Relevant ethical requirements and engagement resources

12. In applying the requirements in paragraphs 25 to 27 of ISA (NZ) 600, the Group Appointed Auditor shall have regard to the Auditor-General's processes for appointing auditors and monitoring the quality of auditors' work (Ref: [Para A5](#) and [A11](#)).

Engagement performance

13. In applying the requirement in paragraph 28 of ISA (NZ) 600, the Group Appointed Auditor shall have regard to the Auditor-General having appointed the Appointed Auditors of Components to take responsibility for the nature, timing, and extent of direction and supervision of audit engagement teams and the review of their work.

Evaluating the adequacy of the work completed by Appointed Auditors of Components

14. In applying the requirement in paragraph 47 of ISA (NZ) 600, the Group Appointed Auditor shall have regard to the Auditor-General's processes for appointing auditors and monitoring the quality of auditors' work when determining whether, and the extent to which, it is necessary to review audit documentation of Appointed Auditors of Components (Ref: [Para A5](#) and [A11](#)).

Consultation with the Office of the Auditor-General

15. The Group Appointed Auditor shall consult with the Assistant Auditor-General – Audit Quality:
- (a) if the Group Appointed Auditor, in reviewing the information obtained from applying the requirements in paragraphs 45 and 47 of ISA (NZ) 600, identifies that an Appointed Auditor of a Component breached an ethical requirement, including independence, that applies to the group audit engagement (Ref: [Para A12 to A14](#));
 - (b) if the Group Appointed Auditor, in applying the requirements in paragraph 46 of ISA (NZ) 600, concludes that communications with an Appointed Auditor of a Component is not adequate for the group audit engagement (Ref: [Para A14](#));
 - (c) if the Group Appointed Auditor, in applying the requirements in paragraph 48 of ISA (NZ) 600, concludes that the work of an Appointed Auditor of a Component is not adequate for the group audit engagement (Ref: [Para A14](#)); or
 - (d) before the Group Appointed Auditor, in applying paragraph 57(b) of ISA (NZ) 600, communicates concerns about the work of an Appointed Auditor of a Component to those charged with governance of the group (Ref: [Para A14](#)).

Components that are public entities but not audited as stand-alone entities

Group Appointed Auditor

16. If the Group Appointed Auditor makes use of a Component Auditor, as defined in ISA (NZ) 600, the Group Appointed Auditor shall request the Component Auditor to apply the Auditor-General's Auditing Standards (Ref: [Para A15](#)).

Components that are not public entities

Group Appointed Auditor

17. If the Group Appointed Auditor makes use of a Component Auditor, as defined in ISA (NZ) 600, and the Component is domiciled in an overseas jurisdiction, the Group Appointed Auditor shall request the Component Auditor to apply the Auditor-General's Auditing Standards, as relevant (Ref: [Para A16 to A17](#)).

18. If the Group Appointed Auditor has any concerns or issues about the Component Auditor applying the Auditor-General's Auditing Standards that cannot be resolved, the Group Appointed Auditor shall inform the OAG and consider the audit report implications.

Application and Other Explanatory Material

Definitions

- A1. A "business unit", "function", or "business activity", or combinations thereof, have been excluded from the definition of a Component as defined in ISA (NZ) 600 because there are no additional requirements on the Group Appointed Auditor in this scenario. The focus of this Statement is on the additional requirements that the Group Appointed Auditor considers when Components are public entities and have statutory reporting and audit requirements.

Components that are audited as stand-alone entities

All Appointed Auditors

Working co-operatively

- A2. The Auditor-General expects Appointed Auditors of Components and the Group Appointed Auditor to work co-operatively to allow for an orderly transfer of information.
- A3. In this regard, where a difficulty arises, the Appointed Auditors of Components and the Group Appointed Auditor attempt to resolve the difficulty by gaining an understanding of each other's views and agreeing a solution.
- A4. If a solution cannot be found, the Auditor-General will arbitrate. The representative of the Auditor-General will talk to both parties and make a final decision. It is anticipated that these instances will be rare.

Group Appointed Auditor

The Auditor-General's processes

- A5. Before appointing an auditor to audit a public entity, the Auditor-General determines whether:
- (a) the auditor and the related audit service provider are independent; and
 - (b) the auditor has the appropriate competence and capabilities, including sufficient time, to carry out the audit.
- A6. Therefore, in the absence of information to the contrary, the Group Appointed Auditor can accept that the Appointed Auditor of a Component is independent and has the appropriate competence and capabilities to carry out that audit.

- A7. The Auditor-General expects Appointed Auditors and their Audit Service Providers to comply with the Auditor-General's Auditing Standards. These include the Professional and Ethical Standards and International Standards on Auditing (New Zealand) issued by the External Reporting Board, the related Auditor-General Statements (for example AG PES 3 and AG ISA (NZ) 320), Auditor-General Standards (for example AG-3) and the Auditor-General's Code of Ethics.
- A8. The Assistant Auditor-General – Audit Quality is responsible for, and monitors, the Audit Service Providers' quality management at the engagement level and system level. The Auditor-General publishes the results of this work in an appendix to their Annual Report, which is available on the Auditor-General's website.
- A9. In the rare circumstances where an audit file of an Appointed Auditor of a Component did not meet the Auditor-General's quality expectations and it has been assessed that the deficiencies call into question the appropriateness of the audit opinion on the Group financial statements, the Assistant Auditor-General – Audit Quality will notify the Group Appointed Auditor.
- A10. The Assistant Auditor-General – Audit Quality will discuss, with the Group Appointed Auditor, the interventions that the Auditor-General has implemented, including how the deficiencies will be prevented from recurring, and agree with the Group Appointed Auditor how the matter should be resolved for the audit of the group financial statements.
- A11. Therefore, in the absence of the Group Appointed Auditor being notified of deficiencies in audit quality, the Group Appointed Auditor can conclude that the Appointed Auditor of a Component has the appropriate competence and capabilities to carry out that audit.

Group Appointed Auditor

Consultation with the Office of the Auditor-General

- A12. An Appointed Auditor, through complying with the Auditor-General's Code of Ethics, is required to report a breach of the Auditor-General's Code of Ethics to the Office of the Auditor-General when it occurs, and the matter will be appropriately responded to by the Appointed Auditor and the Auditor-General.
- A13. An Appointed Auditor's compliance with ethical requirements, including independence, is reported to management and those charged with governance of the Component through the management letter and audit report when the audit is concluded. This information is also provided to the Auditor-General through the OAG portal and monitored for discrepancies, and where applicable, will be appropriately responded to by the Appointed Auditor and the Auditor-General.
- A14. Significant deficiencies in the adequacy of the Appointed Auditor's work and communications will be considered by the Assistant Auditor-General – Audit Quality, including whether any communication with those charged with governance of the group is warranted.

Components that are public entities but not audited as stand-alone entities

Group Appointed Auditor

- A15. Where the Component Auditor, as defined in ISA (NZ) 600, does not carry out other audits on behalf of the Auditor-General, the Group Appointed Auditor may need to add additional material to the instructions sent to the component auditor to ensure that they appropriately consider the Auditor-General's Auditing Standards.

Components that are not public entities

Group Appointed Auditor

- A16. The Group Appointed Auditor will need to provide instructions and sufficient other information to ensure that the component auditor understands and appropriately applies the Auditor-General's Auditing Standards. .
- A17. If the Component Auditor, as defined in ISA (NZ) 600, is unable to, or does not, apply the Auditor-General's Auditing Standards, the Group Appointed Auditor may need to carry out additional audit procedures. For example, if the Component Auditor does not apply the Auditor-General's [Auditing Standard AG-3](#), the Group Appointed Auditor might assess whether those charged with governance actively monitor compliance with AG-3-related issues and risks within the Component.