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NZ AUDITING
AND ASSURANCE
STANDARDS BOARD

INTERNATIONAL STANDARD ON AUDITING (NEW ZEALAND) 701

Communicating Key Audit Matters in the Independent Auditor's Report (ISA (NZ) 701)

This Standard was issued on 1 October 2015 by the New Zealand Auditing and Assurance Standards Board of the External Reporting Board pursuant to section 12(b) of the Financial Reporting Act 2013.

This Standard is a disallowable instrument for the purposes of the Legislation Act 2012, and pursuant to section 27(1) of the Financial Reporting Act 2013 takes effect on 28 October 2015.

An auditor that is required to apply this Standard is required to apply it for audits of financial statements for periods ending on or after 15 December 2016. However, early adoption is permitted.

In finalising this Standard, the New Zealand Auditing and Assurance Standards Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

This Standard has been issued as a result of International Standard on Auditing 701 being issued.

This compilation was prepared in November 2018 and incorporates amendments up to and including October 2018.

705 (Revised) prohibits the auditor from communicating key audit matters when the auditor disclaims an opinion on the financial statements, unless such reporting is required by law or regulation.⁴

Effective Date

6. This ISA (NZ) is effective for audits of financial statements for periods ending on or after 15 December 2016.

Transitional provisions

NZ6.1 Paragraph NZ5.1 of this ISA (NZ) requires that for audits of complete sets of general purpose financial statements of a FMC reporting entity considered to have a higher level of public accountability, the auditor shall communicate key audit matters in the auditor's report. The requirement to report key audit matters is subject to the following transitional provisions:

- For the audits of complete sets of general purpose financial statements of listed issuers, the auditor shall communicate key audit matters in the auditor's report for periods ending on or after 15 December 2016. For the purposes of this transitional provision, a listed issuer is defined as a person that is party to a listing agreement with a licensed market operator in relation to a licensed market (and includes a licensed market operator that has financial products quoted on its own licensed market) (as defined in the Financial Markets Conduct Act 2013 section 6(1)).
- For the audits of complete sets of general purpose financial statements of a FMC reporting entity considered to have a higher level of public accountability other than listed issuers, the auditor shall communicate key audit matters in the auditor's report for periods ending on or after 31 December 2018.

Objectives

7. The objectives of the auditor are to determine key audit matters and, having formed an opinion on the financial statements, communicate those matters by describing them in the auditor's report.

Definition

8. For purposes of the ISAs (NZ), the following term has the meaning attributed below:

Key audit matters—Those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial statements of the current period. Key audit matters are selected from matters communicated with those charged with governance.

Requirements

Determining Key Audit Matters

9. The auditor shall determine, from the matters communicated with those charged with governance, those matters that required significant auditor attention in performing the

⁴ ISA (NZ) 705 (Revised), paragraph 29.