

New Zealand Auditing and Assurance Standards Board

MEETING PACK

for

NZAuASB Meeting - PUBLIC

Wednesday, 8 October 2025

9:15 am (NZDT)

Held at:

Generator Britomart

Level 10/11 Britomart Place, Auckland Cbd, Auckland, Auckland, 1010, NZ

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AGENDA

NZAUASB MEETING - PUBLIC

Name:	New Zealand Auditing and Assurance Standards Board
Date:	Wednesday, 8 October 2025
Time:	9:15 am to 5:00 pm (NZDT)
Location:	Generator Britomart, Level 10/11 Britomart Place, Auckland Cbd, Auckland, Auckland, 1010, NZ
Committee Members:	Graeme Pinfold (Committee Chair), Darby Healey, Doug Niven, Michael Bradbury, Rebecca Palmer, Richard Kirkland, Todd Beardsworth, Vasana Vanpraseuth
Attendees:	Anna Herlender, Bruce McNiven, Dawn Bowden, Karen Griffin, Karen Tipper, Lisa Thomas, Misha Pieters, Sharon Walker, Susan Johnstone, Thinus Peyper, Wendy Venter

1. Standing items (PRIVATE)
2. Board Management (PUBLIC)

2.1 Action List 9:15 am (2 min)

For Decision

Supporting Documents:

2.1.a	2.1 Action List Oct 2025.docx	10
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2.2 NZAuASB Chair Update 9:17 am (5 min)

Graeme Pinfold

For Information

Verbal

2.3 AUASB Chair Update 9:22 am (5 min)

Doug Niven

For Noting

Verbal

2.4 Chief Executive update 9:27 am (5 min)

Wendy Venter

For Information

2.5 IESBA update 9:32 am (3 min)

For Noting

Supporting Documents:

2.5.a	2.5 IESBA Update for NZAuASB October 2025.docx	11
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2.6 IAASB report 9:35 am (3 min)

For Noting

Supporting Documents:

2.6.a	2.6 Report IAASB Sept 2025.docx	14
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2.7 Prioritisation plan 9:38 am (3 min)

For Noting

Supporting Documents:

2.7.a	2.7 Assurance Portfolio.pdf	20
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2.8 Meeting plans for 2025/26 9:41 am (2 min)

For Noting

Supporting Documents:

2.8.a	2.8 Forward Agenda View.pdf	23
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2.9 Consultation and engagement overview 9:43 am (2 min)

For Noting

Supporting Documents:

2.9.a	2.9 Consultation View.pdf	24
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3. Meeting with heads of audit (PRIVATE)

4. Reissue of ISAs (NZ) and conforming amendments (PUBLIC)

4.1 Summary paper 9:45 am (10 min)

For Decision

Supporting Documents:

4.1.a	4.1 Summary Paper Reissue of ISAs (NZ) and other amendments including PTE.pdf	25
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4.2 Explanations for decisions made 9:55 am (15 min)

For Decision

Supporting Documents:

4.2.a	4.2 Explanation for decision made Reissue of ISAs (NZ) and other amendments including PTE.docx	32
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4.3 Signing memorandum 10:10 am (15 min)

For Decision

Supporting Documents:

4.3.a	4.3 Signing Memorandum Reissue of ISAs (NZ) and other amendments including PTE.docx	42
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4.4 SUPPLEMENTARY: ISAs (NZ) repealed and reissued

10:25 am (10 min)

For Decision

4.5 SUPPLEMENTARY: Amending standard

10:35 am (10 min)

For Decision

5. Conforming amendments review engagements (PUBLIC)

5.1 Summary paper

10:45 am (5 min)

For Decision

Supporting Documents:

5.1.a	5.1 10 2025 BMSP.docx	51
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5.2 Amending standard

10:50 am (5 min)

For Decision

Supporting Documents:

5.2.a	5.2 2025 Conforming Amendments_Review standards.pdf	54
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5.3 Signing memorandum

10:55 am (5 min)

For Decision

Supporting Documents:

5.3.a	5.3 Signing Memorandum Amendments to review engagement standards.docx	67
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6. Going concern (PUBLIC)

6.1 Summary paper

11:00 am (5 min)

For Noting

Supporting Documents:

6.1.a	6.1 BMSP Going Concern 10 2025.docx	69
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6.2 ISA (NZ) 570

11:05 am (5 min)

For Decision

Supporting Documents:

6.2.a	6.2 ISA (NZ) 570 10 2025.docx	71
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6.3 Signing memorandum 11:10 am (5 min)

For Decision

Supporting Documents:

6.3.a	6.3 Signing Memorandum - Going Concern 10 2025.docx	143
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6.4 (PRIVATE) 11:15 am (10 min)

For Noting

6.5 Going concern walkthrough 11:25 am (5 min)

For Noting

Supporting Documents:

6.5.a	6.5 Going concern walkthrough Sep 2025.docx	149
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6.6 Lunch 11:30 am (30 min)

7. (PRIVATE)

8. Sustainability consultation (PUBLIC)

8.1 Summary of feedback to date 12:00 pm (30 min)

Karen Tipper

For Discussion

Verbal

9. Service performance information (PUBLIC)

9.1 Summary paper 12:30 pm (25 min)

Lisa Thomas

For Discussion

Verbal update

Supporting Documents:

9.1.a	9.1 BMSP SPI consultation.docx	151
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9.2 Summary of Feedback received 12:55 pm (20 min)

For Discussion

Supporting Documents:

9.2.a	9.2 Summary of SPI Feedback.docx	154
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9.3 Consultation assurance feedback comments 1:15 pm (15 min)

For Discussion

Supporting Documents:

9.3.a	9.3 Consultation Assurance Feedback Comments.pdf	170
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9.4 Afternoon tea 1:30 pm (15 min)

10. Technology (PUBLIC)

10.1 Proposed guidance topics and IAASB NZ roundtable event 1:45 pm (30 min)

Thinus Peyper

For Discussion

Supporting Documents:

10.1.a	10.1 NZAuASB Technology - Proposed guidance topics and IAASB NZ roundtable event.docx	180
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11. Upcoming Post implementation reviews (PUBLIC)

11.1 Board meeting summary paper 2:15 pm (10 min)

For Noting

Supporting Documents:

11.1.a	11.1 Upcoming post implementation reviews.docx	185
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12. Modified audit reports (PUBLIC)

12.1 Summary paper 2:25 pm (5 min)

For Discussion

Supporting Documents:

12.1.a	12.1 Modified Audit Reports BMSP 2025.docx	188
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12.2 Memorandum 2:30 pm (5 min)

For Discussion

Supporting Documents:

12.2.a	12.2 Memo Application of the Modified Audit Reports Policy_Oct 2025.docx	190
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12.3 Updated policy 2:35 pm (2 min)

For Discussion

Supporting Documents:

12.3.a	12.3 Memo on new policy modified assurance reports.docx	201
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12.4 Current policy 2:37 pm (3 min)

For Discussion

Supporting Documents:

12.4.a	12.4 Modified Audit Reports - 2025 Policy.pdf	203
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13. ISA for LCE (PUBLIC)

13.1 Update

2:40 pm (10 min)

Bruce McNiven

For Noting

Supporting Documents:

13.1.a	13.1 ISA for LCE October 2025 Summary paper.docx	213
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14. Board management (PRIVATE)

15. Close Meeting

15.1 Close the meeting

Next meeting: No date for the next meeting has been set.

NZAuASB Action list

Meeting Arose	Board Action	Target Meeting	Status
June 2024	Consider implications of IFRS name change on the auditing standards	2026	Addressed – refer agenda
Feb 2025	Document the rationale for the approach of retaining FMC HLPAs, and not introducing publicly traded entity. Follow up with Australia to understand who are PTE's in their context. Consider the harmonisation policy.	June 2025	Addressed – refer agenda
April 2025	Request formal response from the FMA if desire the public interest entity requirements to apply to all FMC reporting entities	June 2025	Request made. Response was the FMA will respond once further considered.
Aug 2025	Approval of consultation document to reporting and assurance of scope 3 emissions delegated to acting chair	Oct 2025	Consultation issued, closed 24 September. Proposed 2025 Amendments to Climate and Assurance Standards » XRB Refer agenda for feedback received
Aug 2025	Gather more information and prioritise guidance on use of technology	Oct 2025	Refer agenda

NZAuASB Board Meeting Summary Paper

Meeting date: 8 October 2025
Subject: IESBA Update
Date: 23 September 2025
Prepared by: Anna Herlender, Karen Tipper, Lisa Thomas and Thinus Peyper

**Action Required****For Information Purposes Only****Agenda Item Objectives**

1. To UPDATE the Board from the staff's review of the IESBA's September 2025 meeting.
2. The key agenda items covered at the meeting included:
 - i. Firm culture and governance
 - ii. Feedback on collective investment vehicle consultation
 - iii. Strategy and workplan
 - iv. Profession agnostic part 4b
 - v. Technology
 - vi. Post-implementation review of non-compliance with laws and regulations (NOCLAR) and the restructure of the Code. These are covered in a separate agenda item.

Firm Culture and Governance

3. Staff sought feedback on draft Viewpoints covering 8 elements of the firm culture and governance (FCG) framework identified in the [project proposal](#). The Viewpoints consist of high-level principles that are actionable, do not include "shall" statements since they are non-authoritative material. They make no reference to existing provisions in the Code or ISQM 1.
4. The IESBA is planning targeted stakeholder engagement to test the usefulness, operability and to understand potential hurdles. Other supporting material is proposed including examples of firm practices, case studies and success stories, how the Code addresses the principles in the Viewpoints and linkages between the Viewpoints and ISQM 1 (PES 3).
5. This work is expected to run through to Q2 2026, when the IESBA will deliberate the way forward for the FCG framework.

Implications for the XRB:

The XRB will continue to monitor the developments on this project and the interaction with quality management standards.

Feedback on collective investment vehicle consultation

6. Staff presented their analysis of the submissions on their consultation paper on auditor independence when auditing investment schemes that engage connected parties. The following options were identified and discussed by the Board:
 - i. no amendments to the Code but proposal to draft non-authoritative guidance
 - ii. include application material in the Code
 - iii. substantively revise the Code
 - iv. maintain status quo.
7. Final recommendations and report will be discussed at the IESBA's December meeting and staff will update at the NZAuASB February meeting.

Implications for the XRB:

We will update the NZAuASB about decisions made by the IESBA and would follow our due process and consult on any proposed additions to the Code, if this option is followed.

Strategy and workplan

8. The IESBA is proposing to issue a joint survey with the IAASB on the strategy and workplan for 2028-2031. This survey is intended to be approved in the December meeting and will be issued in January 2026. It will be used to inform the consultation paper that is intended to be issued in quarter 1 of 2027.

Implications for the XRB:

The XRB will follow our due process and consult with stakeholders on the survey and update the NZAuASB in the February meeting.

Profession agnostic update

9. The independence provisions in the International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) apply to sustainability assurance with the same level of public interest as audits of financial statements
10. As part of its Strategy and Work Plan 2024-2027, the IESBA agreed to consider how the extant Code might be enhanced. This might be revision of the extant requirements for independence for assurance engagements other than audit and review engagements (Part 4B) or the development of a new part, to ensure that all independence standards for sustainability assurance engagements are addressed in the Code in a profession-agnostic manner.
11. In June 2025, the IESBA agreed to establish a project team to obtain more information. The draft terms of reference for this project were discussed at this September meeting .

Implications for the XRB:

We will continue to monitor the developments on this project and will update the NZAuASB when the final report and recommendations are issued by the working group. We will consider this report in light of the XRB's mandate.

Technology update

Summary of IAASB Technology Initiatives Presented to IESBA

12. The IAASB provided an update on its technology initiatives, which included a brief discussion of the IAASB's catalogue of issues and the quality management workstream (the latter is described in more detail in Agenda item 9).
13. Key points from the IESBA discussion included:
 - **Consideration of ethical aspects:** Both technical and ethical dimensions are being addressed, with particular attention to the explainability of tools.
 - **Nimbleness and timeliness of standard setting:** The IAASB is recognising the need for more agile processes to keep pace with technological change. The preferred approach is to issue non-authoritative guidance material and make targeted revisions to standards (where appropriate).

Summary of FRC Guidance Presented to IESBA

14. The FRC provided an update to the IESBA on its 'AI in audit' guidance and a thematic review of firms' certification processes for automated tools and techniques. (This guidance was shared with the Board at its August meeting.)
15. The FRC highlighted the following key ethical considerations:
 - **Professional competence and due care:** The explainability of an AI tool is important so that auditors can understand and appropriately act on the tool's outputs.
 - **Objectivity and bias:** Audit firms are expected to document how bias is mitigated, particularly in the training and fine-tuning of AI models. Auditor may need to adapt off-the-shelf tools to suit their audit circumstances.
 - **Confidentiality:** The Code requires explicit authorisation from the entity before their information is used to develop and train an AI model.
16. Key points from the IESBA discussion included:
 - **Nimbleness and timeliness of standard setting:** The FRC followed a principles-based approach to provide flexibility and speed with which guidance can be issued.

Implications for the XRB:

The messages and key points from the discussions will be incorporated into the proposed guidance and development process (see agenda item 9).

Meeting date: 8 October 2025

Subject: **IAASB meeting report**

Date: 23 September 2025

Prepared by: Greg Schollum and Misha Pieters

☐ **Action Required** ☒ **For Information Purposes Only**

Agenda item objectives

- To NOTE the update from the IAASB meeting and CONSIDER areas of strategic importance.

Areas of strategic importance to the XRB

- Key areas of strategic importance are summarised below. The full meeting reporting is in the appendix.

Project	Timing	Strategic Priority
IAASB and IESBA future strategy – joint stakeholder survey	Approval of survey expected in Dec 2025	High. The IAASB and IESBA discussed developing a joint survey to inform their 2028-2031 strategies and work plans.
Audit evidence and risk response	Exposure draft deferred and expected to be approved in June 2026	High. The project explores fundamental concepts underpinning an audit, including authenticity of documents used as audit evidence and the extent to which test of controls alone may be used to address risks of material misstatement.
Technology	New Zealand Roundtable planned for November	High. The IAASB updated the catalogue of issues to explore and agreed to add a matter of transparency about the auditor's use of technology as a low priority.
Review of interim financial statements	Exposure draft expected to be approved in March 2026	Medium. XRB and AUASB staff are assisting on this project. The IAASB agreed in principle to require explicit statements about going concern in interim review engagement reports.
Maintenance of ISA for Less Complex Entities (LCEs)	Project plan expected to be approved in December 2025	Medium. The IAASB are committed to maintain the ISA for LCE when the revision to the ISA is almost finalised following an initial period of stability, so that the effective date of the revised ISA for LCE will be around a year after the effective date of the revised ISAs.
Post implementation review (PIR) of ISA 540 ¹	Approval of survey expected in December 2025 with feedback required by April 2026	Medium. The IAASB and IESBA are co-ordinating the approach to performing a PIR. PIRs are a priority in the current environment to understand whether recent revisions to standards are meeting their objectives.

¹ ISA 540 (Revised), Auditing Accounting Estimates and Related Disclosures

Appendix

Full report from IAASB September 2025 meeting in New York

The PIOB observer congratulated the IAASB on cementing the staff driven model. During the meeting the PIOB observer emphasised the need to close the feedback loop, and to go back to stakeholders to keep them updated, given the recent outreach.

Developing the IAASB and IESBA's future strategies – Joint Stakeholder Survey

As part of Greg's co-ordination role between the IAASB and IESBA, we have been encouraging the two boards to develop a joint stakeholder survey as a first step to developing their respective strategies and workplans. The IAASB expressed support for a genuine joint survey process to meet stakeholder expectations, to be and be seen to co-ordinate. There was agreement to develop a joint survey which explores environmental matters to inform a second consultation on the strategy and work plan. There will be a later discussion on how to approach the detailed consultation with stakeholders on work plans of IAASB and IESBA. Greg continued to encourage a focus on the commitment to join up as much as possible, which may be integrated but bifurcated for the different remits and projects.

The IAASB members discussed especially targeting academics, preparers, audit committee chairs, those charged with governance, users and special interest groups in this survey process. Engaging with indigenous people is also increasingly important. The survey approach may be too passive to engage with users, noting historically this group has been difficult to engage with.

The IAASB members discussed the merit of stating a joint value proposition, that builds on, and integrates existing statements by each board. The value of global consistency that works across borders, builds trust in the profession, reduces regulatory costs, is proportionate and scalable were highlighted. The survey might seek views on whether the boards are achieving the value proposition.

In terms of trends in the environment, the discussions highlighted that the environment is not static, so there is a need to focus on future trends to inform the 2028-2031 strategic direction.

Audit evidence and risk response

The IAASB members reflected on key messages heard in outreach and progressed some matters to inform exposure drafts on audit evidence and risk response, including key topics on:

- **Material classes of transactions, account balances and disclosures (COTABDs):** Auditors are required to perform substantive procedures for each material COTABD, irrespective of the assessed risk of material misstatement. There are challenges in practice in understanding the rationale and how to operationalise this requirement. Some stakeholders consider the requirement undermines the risk-based audit, while others consider it necessary to address the risk of an imperfect risk assessment. The Board discussed five options, to clarify the purpose of this requirement. Board members have a range of views on this matter, from retaining the existing requirement to deleting it, and options in between. On balance, the IAASB members encouraged staff to explore a way to delete this requirement and add application material to ISA 315 to support the extant stand-back requirement, with the user lens in mind, and enhance the documentation requirements.
- **Test of controls alone to respond to assessed risk of material misstatement:** The majority of IAASB members agreed that currently the ISAs do not prohibit using test of controls alone, and that there is a conceptual basis for this approach, independent of the decision related to COTABDs above. On balance, there was agreement that application material should set out the narrow conditions where tests of controls alone may be applied to help to future proof the ISAs and to meet the public interest objective of increasing use of

test of controls. This should focus on the persuasiveness of the evidence needed. However, regulatory concerns were highlighted, noting that test of controls is one of the most commonly identified areas of inspection findings and that misstatements are most often found through substantive testing.

- **Authenticity:** Monitoring group members continue to query the premise that the auditor may accept documents and records as genuine unless the auditor has reason to believe the contrary, with concern raised that this sentence does not promote professional scepticism. IAASB members agreed that the ISAs do not require the auditor to evaluate the authenticity of every individual document or piece of information. Rather, the auditor exercises professional judgement to determine whether authenticity is of significance. The IAASB members agreed to align the language that is currently used in application material in ISA 200 with the approach in the revised fraud and audit evidence standards, to emphasize that the auditor is required to evaluate the reliability of information intended to be used as evidence, but it is not necessary for the auditor to consider the authenticity of all documents and records. Staff will work on options for rewording this requirement for consideration at the December meeting.
- **Conditional requirements relating to use of technology:** The IAASB members agreed not to pursue technology-related requirements in the ISAs, but rather to develop application material to facilitate use of technology. There are limited scenarios in the current environment where use of technology is essential (e.g. crypto). There was general agreement that the principles in the ISAs are appropriate but IAASB members agreed to elevate the existing requirements, by adding specificity of the types of resources used on engagements.

ISRE 2410²

Sharon Walker (XRB) and Johanna Foyster (AUASB) are supporting the IAASB's project to revise ISRE 2410. The IAASB members provided the following direction:

- **Engagement level quality management:** Generally supported a high-level, principle-based approach for engagement-level quality management requirements with emphasis on the need for constraint in the extent of requirements and application material to include, given the engagement is performed by the auditor ie the focus of the review engagement is in updating the auditor's understanding obtained during the audit.
- **Acceptance and continuance:** Generally supported, including conditional requirements for acceptance and continuance, building on what has been done by the auditor already, given the interim review acceptance generally coincides with audit engagement acceptance and continuance procedures. There were suggestions to clarify for practical scenarios.
- **Materiality:** Generally agreed to include a requirement to determine materiality and the need for clearer application material to deal with more complex circumstances like balance sheet amounts when materiality is based on the P&L, and multiple interim periods.
- **Going concern:** Agreed that the work effort requirements should reflect the range of circumstances based on the auditor's knowledge (e.g., if there was a material uncertainty on going concern in the audit report, more work will be needed). On balance, the IAASB agreed to report on going concern in the interim review report in all instances through the use of explicit statements, rather than on an exception basis, consistent with the rationale for revising ISA 570 (Revised 2024)³, i.e., the importance to users of matters relating to going concern. IAASB members discussed the need for wording that reflects the limited

² ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity

³ ISA 570 (Revised 2024), Going Concern

assurance context but that the engagement does not guarantee the entity is a going concern to align with ISA 570 (Revised 2024) language.

- **Other information** –Supported the inclusion of a high-level requirement and to explore the need for a definition of other information, with a caution against too detailed a definition.
- **Group engagement considerations:** Given many interim reviews involve groups, generally supported including high level requirements without the full complexity of ISA 600⁴. Board members emphasized professional judgement and leveraging audit work, cautioning against overcomplication and excessive duplication of ISA 600⁵.

ISA for Less Complex Entities (LCE) maintenance

The IAASB is aiming to amend the ISA for LCE for recent revisions to the ISAs relating to fraud, going concern, public interest entity and use of external experts, for periods beginning on or after December 2028. This provides 3 years of stability before amending the ISA for LCE. Greg is a project board member for the maintenance project. The IAASB reaffirmed the approach to starting the maintenance of the ISA for LCE when the revision to the ISA is almost finalised. The effective date of the revised ISA for LCE will generally be a year after the effective date of the revised ISAs. The IAASB members agreed:

- To develop a document to capture the IAASB's overarching approach for maintaining the ISA for LCE to explain the purpose, process, approach and key principles, to provide clarity for stakeholders and to formalise the process. The IAASB has already made a public commitment that the ISA for LCE must remain up to date and to the greatest extent possible, consistent with the ISAs, while remaining proportionate to the nature and circumstances of an audit of an LCE.
- To develop project proposals for maintenance with the objectives that are based on and aligned with the objectives to revise the ISAs in a separate and complete project proposal for each maintenance project, but with emphasis on keeping it simple, and not over baking the process.

Technology Position and Catalogue

The IAASB members discussed key technology developments relevant to assurance which include AI governance, explainability and transparency, AI use by auditors, AI use by audited entities, emerging AI risks and disruptive potential, data analytics and alternative information sources, digital assets, cybersecurity and third-party dependencies. Developments in AI assurance was also highlighted.

The IAASB considered an updated technology catalogue. The IAASB members discussed how to track uptake of technology and expand on the “so what” of the issues in the catalogue. The IAASB members agreed to add exploring transparency with those charged with governance and/or in the auditor's report on the use of technology to the catalogue with a low priority. Even though there may not be a communication gap, there is merit to keep it on the IAASB's radar. Some members emphasized transparency with those charged with governance, with reservations expressed about transparency in the auditor's report. Another idea was to consider inclusion in the firms' transparency reports.

The IAASB discussed upcoming roundtable discussions on technology quality management and emphasized the need to explore preparers' perspectives and internal audit perspectives, as well as technology providers. The discussion explored the establishment of an interpretations committee as a possibility, to enable a quicker response in a fast-changing environment.

⁴ ISA 600 (Revised), Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)

⁵ ISA 600 (Revised), Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)

ISA 540 (Revised)⁶ post implementation review (PIR)

Greg acknowledged and expressed support for the co-ordination with the IESBA and for jointly developing the framework for a PIR. The IAASB members expressed general support for the two-step post implementation review plan, with the targeted outreach approach to inform the development of a public survey consultation with the following observations:

- Consider how to integrate more with the planned post implementation review of ISA 315 (Revised)⁷ which is only due to commence in one year. Stakeholders are likely to respond on ISA 315 issues, so it is important to build this into the survey approach.
- Clarify that the objective is to first identify what are the challenges, and what are the root causes, before determining what further actions are needed.
- Separate performance /methodology issues (which are often the focus of inspection findings) from issues with the ISAs.
- Expect to learn more about scalability and proportionality. The survey should also draw out where improvements have been made and what has been learnt in implementing the revisions.

IAASB members generally discussed that the revisions have enhanced auditor's work effort related to estimates. The IAASB members agreed that the key issues identified of; developing a point estimate, performing an appropriate risk assessment, retrospective reviews and use of experts are key issues. Additional points to explore raise by IAASB members include:

- The need to clearly delineate between management's and the auditor's responsibilities. Often management's estimate is not well supported in the first instance.
- The auditor's emphasis on disclosures may be light.
- Documentation requirements.
- The interconnectivity with the financial impact of sustainability information may present opportunities to connect the work done in ISSA 5000, noting the high levels of uncertainty which may be inherent.
- The examples in the standard may not be complex enough.
- Connecting with the Banking sector and Basal committee will be critical as part of the PIR.

Experts Narrow Scope Amendments

The IAASB members considered feedback received in response to the exposure draft and unanimously approved narrow scope amendments to IAASB's standards arising from the IESBA's using the work of external expert project.

The key changes made to finalise the amending standard, in response to feedback received, was to add a specific prohibition on using the work of an auditor's expert. This is when the auditor concludes that the auditor's expert does not have the necessary competence or capability, or that the threats to the expert's objectivity cannot be eliminated or reduced to an acceptable level. Subject to PIOB certification, the final pronouncement will be published in January 2026.

IESBA Firm Culture and governance

IESBA representatives provided an update on the IESBA September discussions that focussed on a set of draft "viewpoints" to articulate key concepts and principles that drive ethical behaviour and promote a strong ethical culture across firms.

The IAASB members discussed the need for clear intent and purpose behind the viewpoints and encouraged referencing to existing standards (like the Code or ISQM 1) within the viewpoints. The

⁶ ISA 540 (Revised), Auditing Accounting Estimates and Related Disclosures

⁷ ISA 315 (Revised 2019), Identifying and Assessing the Risks of Material Misstatement

IESBA is still working to develop overarching contextual documents to help stakeholders understand the intent and how the viewpoints fit into the broader system. It was agreed that the linkages between the IESBA material and ISQM 1 remains important.

Sustainability update

The IAASB members received an update from Sue Lloyd, vice Chair of the ISSB, including that profiles have been published for 17 jurisdictions that have adopted the ISSB's standards describing what and when to report, together with the assurance requirements. The discussion explored learnings to promote adoption, including introducing things in a measured way based on what is realistic for a jurisdiction e.g., which entities to capture, transitional arrangements to enable a ramp up period, when to introduce assurance. Investors have been supportive of a phased approach. The ISSB has prioritised implementation support, given the need for capability building in a new area.

The ISSB has exposed targeted amendments to provide relief for GHG emissions disclosures. The discussion highlighted the balance between stability and being responsive to challenges. When considering whether to amend a new standard, the ISSB explored the benefits of relief versus the cost or reduction in usefulness of information. It was apparent that what was required was harder than expected, which necessitated proposing amendments.

The IAASB members also received an update from Carol Adams and Bastian Buck from GRI which covered new topic standards on Climate Change and Energy, and which will take effect in January 2027. These standards reflect evolving stakeholder demands for deeper, more actionable disclosures, including requirements on transition plans, just transition impacts, carbon credits, and energy efficiency. GRI has also expanded its GRI Academy offerings and launched the ESRS Professional Certification Program. A new GRI-ESRS Linkage Service aims to help companies align with EU reporting requirements under CSRD. GRI unveiled a digital Sustainability Taxonomy to streamline machine-readable disclosures and improve data interoperability with frameworks like ISSB and ESRS.

Sustainability Assurance State of Play

The IAASB members received an update from IFAC on the state of play of sustainability reporting and assurance. Overall, there has been an increase in the percentage of entities seeking assurance over sustainability information. There is also a trend towards reporting sustainability information within the annual report, rather than in a separate document. The split between accounting firms versus other practitioners undertaking the engagement remains diverse across different regions of the world. Interestingly there is an emerging trend to engage the same auditor to assure the financial and sustainability information, as sustainability reporting and assurance moves from voluntary to mandatory and into the annual report, and as assurance broadens to more than greenhouse gas emissions. There is also a theme of moving to a combined assurance report.

ISSA 5000 Adoption and Implementation

The IAASB members received an update on ISSA 5000 adoption and implementation efforts. Resources to be published soon include FAQs on materiality, illustrative assurance reports, and technical webinars. Ongoing outreach and monitoring mechanisms will continue to capture implementation challenges and inform the development of additional materials. The IAASB has published an adoption snapshot which will be updated quarterly.



Assurance Portfolio

Origin	Name	Type	Next deliverable expected	Status of current year deliverables	Target Delivery Date - End	Owner	SOI Category	Planned action for the coming year
Domestic	2025 ISAs (NZ) Reissue	Audit	Issue Standards	On track	 Oct-25	Anna Herlender	Fit for purpose	Seeking approval to gazette in October and then will update the standards navigator.
	ISA (NZ) for LCE	Audit	Support adoption videos and events	On track	 Jun-26	Bruce Mcniven	Support adoption and implementation	Walkthrough video 1 and 2 done. Upcoming Deep dive in October with plans to issue additional guidance and more videos to be issued by December 2025.
	Update EG AU8 in conjunction with AUASB	Audit	Issue updated guidance	On track	 Mar-26	Thinus Peyper	Support adoption and implementation	Work with project advisory group to update existing guidance. Plan to issue updated guidance in March 26
	Impact of audit reforms / inspection findings on XRB standards	Audit	Reflect on audit inspection findings from FMA	On track	 Dec-25	Thinus Peyper	Fit for purpose	Monitor audit reform in UK and Aus. Monitor inspection findings. FMA annual report expected to be issued in November
	Technology	Audit	Roundtable in November	On track	 Nov-25	Thinus Peyper	Fit for purpose	Monitoring international developments. Explore guidance topics at October board meeting to prioritise. Update XRB website
	Audit and review of service performance information	Non-financial	Issue staff guidance	On track	 Oct-25	Lisa Thomas	Supporting adoption & implementation	Consider feedback received from consultation and explore and agree next steps at the October meeting
	ISO developments	Non-financial	Support - engage	On track	 Dec-25	Karen Tipper	International Influence	Monitor developments for GHG and sustainability assurance. New ISO standard expected to be issued by the end of the year.
	GHG Snapshot	Non-financial	Support - publish	On track	 Nov-25	Anna Herlender	Support adoption and implementation	Edition 2 published. Publish edition 3 in November.
	Monitor and implementation support for GHG assurance	Non-financial	Support - engage	On track	 Jun-26	Karen Tipper	Support adoption and implementation	Hold workshop in October and issue guidance in November and December 2025.
	Deferral of scope 3 GHG emissions reporting and assurance	Non-financial	Issue standard	On track	 Oct-25	Climate team and Karen Tipper	Fit for purpose	Respond to challenges relating to scope 3 GHG emissions
	XRB strategy for climate assurance and implications for NZ SAE 1	Non-financial	To determine next steps for temporary	At risk	TBD	Misha Pieters	Fit for purpose	Depending on feedback received from consultation the XRB will need to make a decision on the temporary standard in due course. Timing to be confirmed
	Public Sector Performance Reporting	Non-financial	XRB response to enquiry	On track	 Oct-25	Thinus Peyper	PBE Performance Reporting	Contribute to parliamentary enquiry as necessary on assurance related matters
	Consider assurance related to He Tauira	Non-financial	Monitor	On track		Karen Tipper	Integrated reporting	Ongoing. No planned output for this reporting period
	Engage on audits of Māori entities	Non-financial	Deepen understanding	On track		Karen Tipper	Integrated reporting	Continue to meet with OAG to learn from their active project, and respond if need identified
	Update standard setting policy based on developments for climate assurance	Non-financial	Updated policy	At risk			Operations	To work across the XRB teams to update our policies in a consistent way but that is appropriate for each team

Assurance Portfolio

Origin	Name	Type	Next deliverable expected	Status of current year deliverables	Target Delivery Date - End	Owner	SOI Category	Planned action for the coming year
SPE measure: Issue all relevant international consultation and exposure drafts in accordance with due process and within 3 weeks of international release								
IAASB	Audit evidence and risk response	Audit	Issue ED	On track	 Jun-26	Thinus Peyper	Fit for purpose	IAASB has delayed the approval of the Exposure drafts to June 2026
	IAASB Strategy and work plan 2028-2031 (joint survey with the IESBA)	Audit	Issue survey	On track	 Feb-26	Karen Tipper	Fit for purpose	Joint survey with the IESBA expected to be approved in December and issued Jan/Feb 26
	Post implementation review of ISA 540	Audit	Issue survey	On track	 Feb-26	Lisa Thomas	Fit for purpose	Completed request for info in August. IAASB approval of survey expected in Dec and issue in Jan 26.
	Revisions to ISA for LCE	Audit	Issue ED	On track	 Jun-26	Bruce Mcniven	Fit for purpose	IAASB to develop an exposure draft
	ISRE 2410 Interim Review Engagements	Audit	Issue ED	On track	 Apr-26	Sharon Walker	Fit for purpose	XRB staff support project. Expected approval of ED in March 2026
SPE measure: Issue all relevant international standards in accordance with due process convergence and harmonisation policy, with a minimum of 6-12 months before effective date. Support adoption and implementation (A&I) through support activities with surveyed respondents satisfied with the quality of support								
	Fraud standard (ISA (NZ) 240)	Audit	Issue standard	On track	 Oct-25	Sharon Walker	Fit for purpose	Gazette standard in October. Record walk throughs, webinars. Arrange a panel discussion.
	Going Concern revised standard	Audit	Issue standard	On track	 Oct-25	Sharon Walker	Fit for purpose	Approved by NZAuASB. Gazette standard. Record walk-throughs and webinars. Issue flowchart and guidance for preparers and auditors.
	Public Interest Entity track 2	Audit	Issue Standard	On track	 Oct-25	Anna Herlender	Fit for purpose	Planning to gazette in October and then will update the standards navigator.
	ISSA 5000	Audit	Issue Standard	At risk	 Dec-25	Karen Tipper	Fit for purpose	Issued consultation document in July. Gazette standard. Implementation guidance.
SPE Measure: Make submissions on relevant documents before the commencement period closes								
	Narrow scope amendments use of experts	Audit	Submission	Complete	 Dec-25	Anna Herlender	Fit for purpose	IAASB approved standard in Sep 2025. Next steps to consider implications for XRB standards with aim for 6-12 month lead time following certification by the PIOB. To
To issue standard								
	Modernising ISA 500 Series: Inventory counts, confirmations and sampling	Audit	Support - engage	On track		Thinus Peyper	Fit for purpose	IAASB targeting to approve exposure drafts in Dec 2026. Engage to inform New Zealand input into developing ED

Assurance Portfolio

Origin	Name	Type	Next deliverable expected	Status of current year deliverables	Target Delivery Date - End	Owner	SOI Category	Planned action for the coming year
SPE measure: Issue all relevant international consultation and exposure drafts in accordance with due process and within 3 weeks of international release								
IESBA	IESBA Strategy and Work plan 2028-2031 (joint survey with IAASB)	Ethics	Issue survey	On track	 Feb-26	Karen Tipper	Fit for purpose	IESBA to approve joint survey in December and issue in Jan/Feb
	Post implementation review of non-compliance with laws and regulations (NOCLAR)	Ethics	Issue survey	On track	 Feb-26	Anna Herlender	Fit for purpose	IESBA to issue survey in Jan/Feb following approval at Dec meeting
	Post implementation review of restructured code	Ethics	Issue survey	On track	 Feb-26	Lisa Thomas	Fit for purpose	IESBA to issue survey in Jan/Feb following approval at Dec meeting
SPE measure: Issue all relevant international standards in accordance with due process convergence and harmonisation policy, with a minimum of 6-12 months before effective date. Support adoption and implementation (A&I) through support activities with surveyed respondents satisfied with the quality of support								
	IESSA	Ethics	Issue Standard	At risk	 Dec-25	Karen Tipper	Fit for purpose	Issued consultation document and respond based on feedback
	Use of external experts	Ethics	Issue Standard	At risk	 Dec-25	Karen Tipper	Fit for purpose	Issued consultation document and respond based on feedback
SPE measure: International influence								
	Collective investment vehicles	Ethics	To monitor	On track		Karen Tipper	Fit for purpose	To monitor developments post submission.
	Firm culture and governance	Ethics	To monitor	On track		Lisa Thomas	Fit for purpose	IESBA expected to issue draft guidance for feedback following Dec 25 meeting
	Private equity investment in firms	Ethics	To monitor	On track		Karen Tipper	Fit for purpose	To monitor developments in NZ. IESBA have issued staff FAQs
	Profession agnostic independence standards for sustainability assurance not in scope of Part 5	Ethics	To monitor	On track		Anna Herlender	Integrated Reporting	To monitor developments

Board Report - Forward Agenda

Projects	2025					2026					
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Tracking progress of priorities											
Update EG AU8 in conjunction with AUASB											
Impact of audit reform / inspection findings											
Modified assurance reports											
Public Interest Entity track 2											
ISA (NZ) for LCE											
IAASB Strategy and work plan 2028-2031 (Joint)											
IESBA Strategy and Work plan 2028-2031 (Joint)											
Post implementation review of ISA 540											
Audit and review of service performance information											
ISSA 5000											
IESSA											
Use of external experts											
Narrow scope amendments use of experts IAASB											
2025 ISAs (NZ) Reissue											
Technology											
Post implementation review of restructured code											
ISRE 2410 Interim Review Engagements (Issue ED)											
Audit evidence and risk response											

Board Report - Consultations View

Projects	2025					2026					
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Audit and review of service performance information											
ISSA 5000, IESSA, Use of experts											
Deferral of reporting and assurance Scope 3 greenhouse gas emissions											
IAASB Strategy and work plan 2028-2031 (Joint)											
IESBA Strategy and Work plan 2028-2031 (Joint)											
Post implementation review of ISA 540											
Post implementation review of non-compliance with laws and regulations (NOCLAR)											
Post implementation review of restructured code											
Audit evidence and risk response (delayed)											
Revisions to ISA for LCE											
Revision of ISRE 2410 Interim Review engagements											
Reporting and assurance of service performance information											
Technology											

NZAuASB Board meeting summary paper

Meeting date: 9 October 2025

Subject: **Refreshed ISAs (NZ) and other conforming amendments**

Date: 30 September

Prepared by: Anna Herlender and Bruce Mcniven

☒ **Action Required**

☐ **For Information Purposes Only**

Agenda item objectives

1. This agenda item is for the Board to APPROVE
 - (a) the repeal and reissue of a number International Standards on Auditing (New Zealand) (ISAs (NZ)) together with
 - (b) Amendments to Assurance Standards 2025, arising from a number of sources.

Background

2. During this year we have identified several amendments and editorial changes that need to be made to the standards:
 - Amendments to ISAs (NZ) and PESs resulting from revisions related to publicly traded entities
 - Conforming and consequential amendments to ISAs (NZ) as a result of revisions to ISA (NZ) 240 *The Auditor's Responsibilities Relating to Fraud in Audit of Financial Statements*
 - Conforming and consequential amendments to ISAs (NZ) as a result of revisions to ISA (NZ) 570 *Going Concern*
 - Other editorial changes to auditing and assurance standards and Professional and Ethical Standards, including change of the name of IFRS Accounting Standards.
3. The Board previously agreed to consolidate these changes and bring them in at the same time. We have shown the mark- ups of the changes being made to the ISAs (NZ) in track changes. We intend to publish the markups on the website to ensure there is transparency about the changes we have made, noting that these changes are conforming and consequential in nature.

Matters to consider

Amendments resulting from revisions to publicly traded entities

4. In June 2025, the International Auditing and Assurance Standards Board (the IAASB) issued *Narrow Scope Amendments to the ISQMs, ISAs, and ISRE 2400 (Revised) as a Result of the*

Revisions to the Definitions of Listed Entity and Public Interest Entity in the IESBA¹ Code (the IAASB pronouncement).

5. The IAASB pronouncement replaces the term “listed entities” with “publicly traded entities” (PTE) in the International Standards on Auditing. The change means that certain requirements (such as increased transparency in audit reports through inclusion of key audit matters, other information paragraphs and the name of the signing partner, additional communications with those charged with governance and mandatory engagement quality review) which used to be applied to audits of listed entities, will apply now to audits to publicly traded entities.
6. The definition of PTE and the scope of certain requirements in the ISAs (NZ) was discussed at the August NZAuASB meeting.
7. The Board agreed to retain the current settings for those requirements to apply to FMC reporting entities having higher level of public accountability (FMC HLPAs). It was agreed that these settings are still broader than the international revised standards and are aligned and appropriate for the regulatory settings in New Zealand. The Board considered this as the simplest setting, with the lowest risk on unintended consequences.
8. The Board discussed whether and how to New Zealandise the international definition of a PTE. We have reflected on the August discussion and staff recommend that it is simpler to exclude the definition of a PTE, given we are staying with the term FMC HLPAs.
9. The explanation for decision made provides details on why the Board decided to retain the current approach regarding additional transparency and engagement quality review requirements. It clarifies how the Board’s decision still maintains alignment with international requirements. In addition, the conformity statement at the back of the ISAs (NZ) explains this approach.

Does the Board agree with the recommendation to exclude the definition of a PTE in the ISAs (NZ)?

10. Given that the Board agreed to retain the application of these specific requirements to FMC HLPAs, the extant New Zealand position, the ISAs (NZ) will remain largely unadjusted as a result of the recent revisions related to PTEs issued by the IAASB.
11. However, the following amendments are needed to the XRB standards:
 - (a) Added introduction and application material to ISA (NZ) 200² and PES 3³ to reflect the amendments introduced by the IAASB Pronouncement. These amendments provide the overarching rationale for the additional transparency and engagement quality review requirements that should be applied to entities having significant public interest. They also provide guidance for the practitioners to consider whether these additional requirements should be applied to other entities. We highlight the following paragraphs in the attached standards for approval for consideration by the Board:
 - ISA (NZ) 200, paragraphs NZ10.1, NZ 10.2, NZ A14.1, A15, NZ A16.1, A17, NZ A18.1
 - PES 3, paragraphs 5, 10, 16(j), 16(p)b, NZ16.2, A2, NZA128.1, A133, A134, A151.

¹ International Ethics Standards Board for Accountants, *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code)

² ISA (NZ) 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (New Zealand)*

³ Professional and Ethical Standard 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

- (b) Consequential amendments to other standards, i.e. references updates (due to change of numbering of the paragraphs, etc).

Conforming amendments resulting from ISA (NZ) 240 and ISA (NZ) 570

12. Revised ISA (NZ) 240 was approved by the Board in August 2025 and revised ISA (NZ) 570 was approved by the Board in June 2025. Conforming amendments to other standards are required because of these revisions, to maintain the same terminology and correct references throughout the suite of ISAs (NZ).
13. Conforming amendments resulting from revised ISA (NZ) 240 relate mainly to:
 - Additional paragraphs in ISA (NZ) 450 *Evaluation of Misstatements Identified During the Audit*, that the auditor should evaluate whether a misstatement is indicative of fraud (see marked up paragraphs 6 and A7)
 - Updated terminology, for example references to “risk of material misstatement due to fraud” (for example ISA (NZ) 505, External Confirmations, paragraphs 11, A4)
 - Added a requirement in ISA (NZ) 600, paragraph 45, that the group auditor shall take responsibility for obtaining an understanding of identified fraud or suspected fraud.
 - Clarified relationship between fraud and key audit matters in ISA (NZ) 701 (paragraphs A9, A20, A23)
 - Updated illustrative reports to include auditor’s responsibility to communicate identified or suspected fraud or other matters related to fraud to directors (ISA (NZ) 700, ISA (NZ) 800, ISA (NZ) 805 (Revised))
 - Updated references to new/changed paragraphs in ISA (NZ) 240 throughout standards.
14. Conforming amendments resulting from revised ISA (NZ) 570 relate mainly to:
 - Additional examples regarding content of an engagement letter (ISA (NZ) 210 *Agreeing the Terms of Audit Engagements*, paragraph A24)
 - Consistency of terminology, for example “management’s judgements in relation to the going concern basis of accounting” (for example (ISA (NZ) 230 Audit Documentation, paragraph A10))
 - Clarified relationship between going concern and key audit matters in ISA (NZ) 701 (paragraphs 4, 15, A41)
 - Clarified reporting relating to going concern when the auditor disclaims an opinion in ISA (NZ) 705 (paragraphs 19 (d), 29)
 - Clarified relationship between going concern and Emphasis of Matter paragraph in ISA (NZ) 706 (Revised) (paragraphs A5, A7)
 - Updated illustrative reports to include going concern paragraph (ISA (NZ) 510, ISA (NZ) 600, ISA (NZ) 700, ISA (NZ) 705, ISA (NZ) 706, ISA (NZ) 710, ISA (NZ) 720, ISA (NZ) 800, ISA (NZ) 805)
 - Updated references to ISA (NZ) 570 (removed word “revised”) and updated references to new/changed numbers of paragraphs throughout multiple standards.

Other editorial changes

15. Other changes reflect editorial changes made annually by the IAASB in compiling their handbook. These largely impact minor wording changes such as added footnotes with

references to other standards, or updating references to PES 1⁴ (to mirror IAASB updated references to the IESBA Code of Ethics).

16. Additionally, we have updated the references to accounting standards, as the name of standards issued by International Financial Reporting Standards was changed from “International Financial Reporting Standards” to “IFRS Accounting Standards”. Also newly issued NZ IFRS 18 *Presentation and Disclosure in Financial Statements* replaces current NZ IAS 1 *Presentation of Financial Statements*, therefore references to NZ IAS 1 have been updated accordingly (examples of changes are in ISA (NZ) 700 (Revised), paragraphs 9, NZ9.1, 27, 50 (c), footnotes in A7) These changes have the same application date as the rest of these changes.

Repealing of standards

17. Although the amendments and other editorial changes are not significant in nature, they are numerous and impact multiple standards.
18. Our usual approach is to prepare an amending standard and then compile the amendments into a published consolidated version of the standard. The consolidation is however not secondary legislation, the amending standard is what we gazette.
19. We took this opportunity to reset many of the ISAs (NZ) to start afresh. We will do this by repealing the extant impacted standards, as many of them were issued in 2011 and have had multiple amendments to date. We recommend the Board approves new principal standards, which we will gazette in full with all the amendments included. The Explanation for decision made and signing memorandum include details about the process of repealing the standards.
20. Some consequential amendments impact other standards, that is PESs and other assurance standards. We do not propose to repeal these standards at this stage. Therefore, we prepared an amending standard that groups amendments for these standards together.

Recommendations

21. We recommend that the Board APPROVES:
 - A number of refreshed ISAs (NZ) (list of the standards included in the appendix 1)
 - *Amendments to Assurance Standards 2025* (list of the standards included in appendix 2)
 - The draft explanation for decisions made
 - The draft signing memorandum

Material presented

- Board meeting summary paper
- Explanation for decisions made
- Signing memorandum
- International Standards on Auditing (New Zealand) to repeal and reissue in 2025
- Amendments to Assurance Standards 2025

⁴ Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand)

Appendix 1

List of International Standards on Auditing (New Zealand) for the Board's approval:

- ISA (NZ) 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (New Zealand)*
- ISA (NZ) 210 *Agreeing the Terms of Audit Engagements*
- ISA (NZ) 220 (Revised) *Quality Management for an Audit of Financial Statements*
- ISA (NZ) 230 *Audit Documentation*
- ISA (NZ) 250 (Revised) *Consideration of Laws and Regulations in an Audit of Financial Statements*
- ISA (NZ) 260 (Revised) *Communication with Those Charged with Governance*
- ISA (NZ) 265 *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*
- ISA (NZ) 300 *Planning an Audit of Financial Statements*
- ISA (NZ) 315 (Revised 2019) *Identifying and Assessing the Risks of Material Misstatement*
- ISA (NZ) 330 *The Auditor's Responses to Assessed Risks*
- ISA (NZ) 450 *Evaluation of Misstatements Identified during the Audit*
- ISA (NZ) 500 *Audit Evidence*
- ISA (NZ) 505 *External Confirmations*
- ISA (NZ) 510 *Initial Audit Engagements – Opening Balances*
- ISA (NZ) 530 *Audit Sampling*
- ISA (NZ) 540 (Revised) *Auditing Accounting Estimates and Related Disclosures*
- ISA (NZ) 550 *Related Parties*
- ISA (NZ) 560 *Subsequent Events*
- ISA (NZ) 580 *Written Representation*
- ISA (NZ) 600 (Revised) *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*
- ISA (NZ) 610 (Revised 2013) *Using the Work of Internal Auditors*
- ISA (NZ) 700 (Revised) *Forming an Opinion and Reporting on Financial Statements*
- ISA (NZ) 701 *Communicating Key Audit Matters in the Independent Auditor's Report*
- ISA (NZ) 705 (Revised) *Modifications to the Opinion in the Independent Auditor's Report*
- ISA (NZ) 706 (Revised) *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*
- ISA (NZ) 710 *Comparative Information – Corresponding Figures and Comparative Financial Statements*
- ISA (NZ) 720 (Revised) *The Auditor's Responsibility Relating to Other Information*
- ISA (NZ) 800 (Revised) *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*

- ISA (NZ) 805 (Revised) *Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*
- ISA (NZ) 810 (Revised) *Engagements to Report on Summary Financial Statements*

APPENDIX 2

Assurance Standards included in *Amendments to Assurance Standards 2025* for the Board's approval:

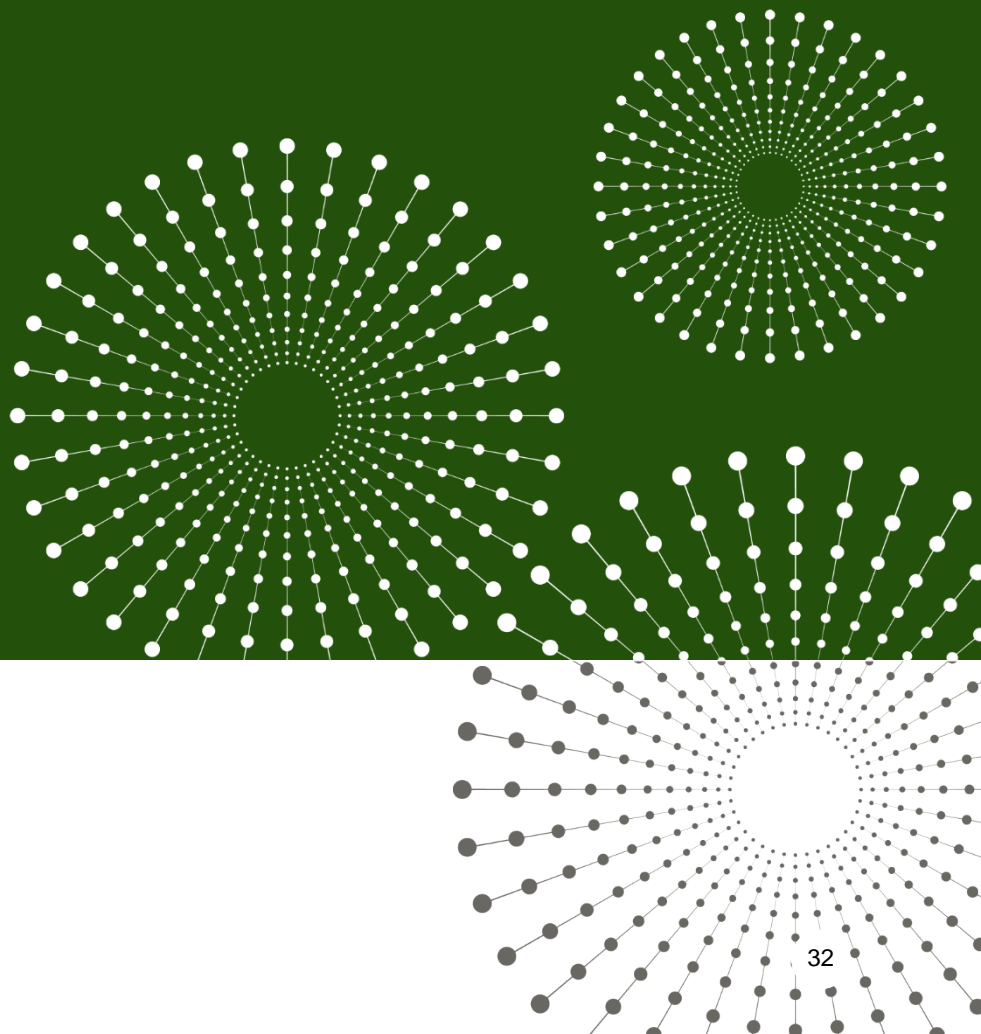
- External Reporting Board Standard (XRB) Au1 *Application of Auditing and Assurance Standards*
- Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*
- Professional and Ethical Standard 3, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*
- Professional and Ethical Standard 4, *Engagement Quality Reviews*
- New Zealand Auditing Standard 1 (Revised), *Audit of Service Performance Information*
- International Standard on Auditing (New Zealand) 501, *Audit Evidence – Specific Considerations for Selected Items*
- International Standard on Assurance Engagements (New Zealand) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*
- ISAE (NZ) 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information in a Prospectus*
- Standard on Assurance Engagements 3450, *Assurance Over Financial Information Prepared in Connection with a Capital Raising*
- International Standard on Related Services (New Zealand) 4400, *Agreed-upon Procedures Engagements*

Reissued ISAs (NZ) and amendments to assurance standards 2025

Explanation for decisions made



October 2025



Explanation for decisions made:
Reissued ISAs (NZ) and Amendments to Assurance Standards 2025

This document relates to, but does not form part of the reissued International Standards on Auditing (New Zealand) (ISAs (NZ)) and Amendments to Assurance Standards 2025 which were approved in October 2025.

It explains the decision made by the New Zealand Auditing and Assurance Standards Board (NZAuASB) not to use the term publicly traded entity in the ISAs (NZ) and Professional and Ethical Standards 3¹ and 4².

It also explains our approach to reissue the ISAs (NZ) rather than to issue multiple amending standards.

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ISBN [To be updated]

¹ PES 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

² PES 4 *Engagement Quality Reviews*



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Introduction

The NZAuASB has identified several amendments that need to be made in 2025 including:

- Amendments to ISAs (NZ) and Professional and Ethical Standards resulting from revisions related to publicly traded entities
- Conforming and consequential amendments to ISAs (NZ) as a result of revised ISA (NZ) 240 *The Auditor's Responsibilities Relating to Fraud in Audit of Financial Statements*
- Conforming and consequential amendments to ISAs (NZ) as a result of revised ISA (NZ) 570 *Going Concern*
- Other editorial changes, including change of the name of IFRS Accounting Standards.

The XRB's usual approach is to prepare an amending standard and then compile the amendments into a published consolidated version of the standard. Given the number of standards impacted by the above projects, we took this opportunity to reissue many of the ISAs (NZ) to start afresh. We will do this by repealing the extant standard, as many of them were issued in 2011 and have had multiple amendments to date and will reissue new principal standards that incorporate all of the amendments. These changes are conforming and consequential in nature. For transparency, we will publish a markup of the standards on our website, so that there is transparency over the changes we have made.

This explanation for decisions made includes two parts.

Part 1 explains the decision made by the NZAuASB not to use the term publicly traded entity in the ISAs (NZ) and in Professional and Ethical Standards 3 and 4. It also explains how the NZAuASB decision achieves international alignment with standards issued by the International Auditing and Assurance Standards Board (IAASB).

Part 2 explains how the NZAuASB has chosen to combine the amendments in new standards and as a consequence, repeal the current version of the ISAs (NZ) as listed in the Appendix.

Part 1 Amendments Relating to Publicly Traded Entities

Background

1. In August 2025 the International Auditing and Assurance Standards Board (the IAASB) issued *Narrow Scope Amendments to the ISQMs, ISAs, and ISRE 2400 (Revised) as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity in the IESBA³ Code* (the IAASB pronouncement).
2. The IAASB Pronouncement explains that some requirements in International Standards on Auditing (ISAs) relate to audits of entities that have significant public interest in the financial condition of these entities due to their potential impact on financial well-being of their stakeholders. It also notes that entities of significant public interest face heightened stakeholder expectations regarding their audits.
3. The IAASB Pronouncement additionally:
 - explains that publicly traded entities are entities of significant public interest
 - includes a definition of publicly traded entity (PTE), and

³ International Ethics Standards Board for Accountants, *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code)

- recognises local standard setters' role in defining publicly traded entities for the purpose of local jurisdictions, including allowing to apply local terms instead of publicly traded entity.
4. The requirements that apply to audits of publicly traded entities include:
 - increased transparency in audit reports through inclusion of key audit matters, other information paragraphs and the name of the signing partner.
 - additional communications with those charged with governance.
 - mandatory engagement quality review.
 5. Internationally, the requirements that previously applied to listed entities will now apply to PTEs. Therefore, the group of entities subject to these requirements has been broadened internationally.

Application for New Zealand resulting from the IAASB's Pronouncement

6. In New Zealand, the requirements referred to in paragraph 4 above are already applied even more broadly. They apply to FMC reporting entities considered to have a higher level of public accountability (FMC HLPAs). FMC HLPAs include listed issuers, registered banks, licensed insurers and other entities in accordance with the Financial Markets Conduct Act 2013⁴.
7. The XRB has a strategic objective to adopt international auditing and assurance standards to apply in New Zealand unless there are compelling reasons not to. The XRB is committed to ensuring that New Zealand standards remain internationally aligned, while also being locally relevant to reflect New Zealand's unique regulatory environment.
8. The NZAuASB considered how the IAASB Pronouncement impacts New Zealand standards and how the definition of publicly traded entity could be applied in New Zealand circumstances.
9. The IAASB defines publicly traded entity as: *"An entity that issues financial instruments that are transferrable and traded through a publicly accessible market mechanism, including through listing on a stock exchange. A listed entity as defined by relevant securities law or regulation is an example of a publicly traded entity"*.
10. There are recognised trading platforms in New Zealand that cater to small and medium-sized entities. Entities listed on these platforms may meet the IAASB's definition of a publicly traded entity as their financial instruments are traded through a public market mechanism. However, these entities do not fall under the regulatory definition of a FMC reporting entity. These markets are subject to lighter regulatory oversight, with the aim of reducing compliance costs and administrative burdens for smaller and medium-sized entities.
11. The NZAuASB considered:
 - The merits of having similar requirements across all publicly accessible trading platforms to ensure a level playing field for all entities, and to prevent entities from exploiting differences between regulatory frameworks.
 - That markets such as Catalyst and Unlisted operate under different oversight compared to FMC reporting entities, primarily to reduce compliance costs. Investors are generally aware of and accept the additional risks associated with investing on these alternative exchanges.

⁴ Financial Markets Conduct Act 2013, section 461K

12. The NZAuASB determined that applying the requirements mentioned in paragraph 4 to FMC HLPAs is fit for purpose in New Zealand. These settings are aligned with the regulatory setting that are in place to identify the entities of significant public interest.
13. The IAASB's Pronouncement permits jurisdictional standard setters to define a PTE more explicitly in a specific jurisdiction. The IAASB definition of PTE recognises that terms other than PTE might be used in a specific jurisdiction and clarifies that when other terms are applied to entities of significant public interest, such terms are regarded as equivalent to "publicly traded entity".
14. The NZAuASB considers that international alignment is achieved by retaining the existing settings in the requirements mentioned in paragraph 4 applicable to FMC HLPAs, because:
 - FMC HLPAs definition includes entities listed on New Zealand Stock Exchange. These are PTEs that are of significant public interest in New Zealand.
 - Some entities trading on platforms for smaller or medium sized entities might meet the regulatory definition of FMC HLPAs. In this case the requirements mentioned in paragraph 4 will apply to audits of these entities.

Part 2 Repeal and Reissue International Standards on Auditing (New Zealand)

Background

15. During 2025, the NZAuASB approved:
 - revised ISA (NZ) 570 *Going Concern*;
 - revised ISA (NZ) 240 *The Auditor's Responsibilities Relating to Fraud in Audit of Financial Statements*;
 - amendments resulting from the IAASB Pronouncement relating to publicly traded entities (as per Part 1 of this document).
16. Revisions to ISA (NZ) 570 and ISA (NZ) 240 result in conforming amendments to many ISAs (NZ).
17. The NZAuASB also identified several editorial changes to ISAs (NZ) that include:
 - change of accounting standards name issued by the International Accounting Standards Board (IASB) from "International Financial Reporting Standards" to "IFRS Accounting Standards" and
 - change of accounting standards issued by New Zealand Accounting Standards Board from "New Zealand equivalents to International Financial Reporting Standards" to "New Zealand equivalents to IFRS Accounting Standards"
 - change of references to NZ IFRS 18 and NZ IAS 8 instead of current references to NZ IAS 1.
 - Further editorial changes.
18. While the nature of each of these amendments is not significant individually, they are numerous and affect multiple standards.

Compilation of amendments into ISAs (NZ)

19. Auditing and assurance standards issued by the NZAuASB under delegated authority of the External Reporting Board are secondary legislation under the Legislation Act 2019. They are therefore legally binding and have the force of law.
20. Compiled versions of the standards, which consolidate the principal standard and amendments are not considered to be the secondary legislation. They are provided for ease of use but do not carry legal status unless formally issued as secondary legislation.
21. The ISAs (NZ) were originally issued in 2011 with many having been amended multiple times since then. For example, ISA (NZ) 200⁵ has been amended 15 times to date.
22. To streamline the secondary legislation issued by the XRB, the NZAuASB has opted to repeal the affected ISAs (NZ) and to reissue them rather than issue amending standards and then consolidate the current ISAs (NZ) and the amendments. The new versions of ISAs (NZ) incorporate all historical amendments as well as the latest changes resulting from amendments listed above. The new version of the standards hold the status of secondary legislation.
23. The list of the affected ISAs (NZ) is included in the Appendix 1. Additionally, the NZAuASB will publish a marked-up version of the replaced ISAs (NZ) to help users identify the changes resulting from the above-mentioned amendments.

Amendments to other standards

24. The amendments that do not impact ISAs (NZ) have been grouped into an amending standard, *Amendments to Assurance Standards 2025*. The list of the standards amended is included in Appendix 2.

Early adoption not permitted

25. The application date for all the conforming amendments is for accounting periods beginning on or after 15 December 2026. The are intended to be adopted as a package. The revisions resulting from going concern and fraud standards affect the auditor's report and are to be applied together to avoid possible confusion for readers of auditor's reports. Therefore, early adoption is not permitted.

⁵ ISA (NZ) 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (New Zealand)*

Appendix 1

Repealed and reissued International Standards on Auditing (New Zealand) approved by the NZAuASB in October 2025

- ISA (NZ) 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (New Zealand)*
- ISA (NZ) 210 *Agreeing the Terms of Audit Engagements*
- ISA (NZ) 220 (Revised) *Quality Management for an Audit of Financial Statements*
- ISA (NZ) 230 *Audit Documentation*
- ISA (NZ) 250 (Revised) *Consideration of Laws and Regulations in an Audit of Financial Statements*
- ISA (NZ) 260 (Revised) *Communication with Those Charged with Governance*
- ISA (NZ) 265 *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*
- ISA (NZ) 300 *Planning an Audit of Financial Statements*
- ISA (NZ) 315 (Revised 2019) *Identifying and Assessing the Risks of Material Misstatement*
- ISA (NZ) 330 *The Auditor's Responses to Assessed Risks*
- ISA (NZ) 450 *Evaluation of Misstatements Identified during the Audit*
- ISA (NZ) 500 *Audit Evidence*
- ISA (NZ) 505 *External Confirmations*
- ISA (NZ) 510 *Initial Audit Engagements – Opening Balances*
- ISA (NZ) 530 *Audit Sampling*
- ISA (NZ) 540 (Revised) *Auditing Accounting Estimates and Related Disclosures*
- ISA (NZ) 550 *Related Parties*
- ISA (NZ) 560 *Subsequent Events*
- ISA (NZ) 580 *Written Representation*
- ISA (NZ) 600 (Revised) *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*
- ISA (NZ) 610 (Revised 2013) *Using the Work of Internal Auditors*
- ISA (NZ) 700 (Revised) *Forming an Opinion and Reporting on Financial Statements*
- ISA (NZ) 701 *Communicating Key Audit Matters in the Independent Auditor's Report*
- ISA (NZ) 705 (Revised) *Modifications to the Opinion in the Independent Auditor's Report*
- ISA (NZ) 706 (Revised) *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*
- ISA (NZ) 710 *Comparative Information – Corresponding Figures and Comparative Financial Statements*
- ISA (NZ) 720 (Revised) *The Auditor's Responsibility Relating to Other Information*
- ISA (NZ) 800 (Revised) *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*

- ISA (NZ) 805 (Revised) *Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*
- ISA (NZ) 810 (Revised) *Engagements to Report on Summary Financial Statements*

Appendix 2

Assurance Standards amended by Amendments to Assurance Standards 2025 approved by the NZAuASB in October 2025

- External Reporting Board Standard (XRB) Au1 *Application of Auditing and Assurance Standards*
- Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*
- Professional and Ethical Standard 3, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*
- Professional and Ethical Standard 4, *Engagement Quality Reviews*
- New Zealand Auditing Standard 1 (Revised), *Audit of Service Performance Information*
- International Standard on Auditing (New Zealand) 501, *Audit Evidence – Specific Considerations for Selected Items*
- International Standard on Assurance Engagements (New Zealand) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*
- ISAE (NZ) 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information in a Prospectus*
- Standard on Assurance Engagements 3450, *Assurance Over Financial Information Prepared in Connection with a Capital Raising*
- International Standard on Related Services (New Zealand) 4400, *Agreed-upon Procedures Engagements*

Memorandum

To: John Kensington, Chair External Reporting Board

From: Graeme Pinfold, Chair NZAuASB

Subject: **Certificate Signing Memorandum:**
Reissued ISAs (NZ) and Amendments to Assurance Standards 2025

Date: 8 October 2025

Introduction

1. In accordance with the protocols established by the XRB Board, the NZAuASB seeks your approval to repeal and re-issue a number of International Standards on Auditing (New Zealand) (ISAs (NZ)) and to issue *Amendments to Assurance Standards 2025*.
2. The NZAuASB has identified several amendments that need to be made to ISAs (NZ) and other assurance standards including:
 - Conforming and consequential amendments to ISAs (NZ) as a result of revisions to ISA (NZ) 240 *The Auditor's Responsibilities Relating to Fraud in Audit of Financial Statements*
 - Conforming and consequential amendments to ISAs (NZ) as a result of revisions to ISA (NZ) 570 *Going Concern*
 - Amendments to ISAs (NZ) and Professional and Ethical Standards resulting from revisions related to publicly traded entities
 - Other editorial changes to auditing and assurance standards and Professional and Ethical Standards, including change of the name of IFRS Accounting Standards.
3. Revisions to ISA (NZ) 240 and ISA (NZ) 570 were approved by the NZAuASB in August 2025 and June 2025 respectively. This signing memorandum explains the NZAuASB decisions and due process relating to publicly traded entities amendments and other editorial changes. It also explains how the NZAuASB decided to incorporate all the amendments into the standards.

Decisions relating to publicly traded entities

International process

4. The International Auditing and Assurance Standards Board (IAASB) issued Exposure Draft *Proposed Narrow Scope Amendments to International Standards on Quality Management, International Standards on Auditing and International Standard on Review Engagements 2400 (Revised) as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity in the IESBA Code* (IAASB Proposal) in January 2024.
5. The objective of this project was to align to the greatest extent possible with recent revisions to the definition of public interest entity in the Code of Ethics¹ issued by International Ethics Standards Board for Accountants (IESBA). The IAASB consulted whether, and to what

¹ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)

extent, the existing requirements relating to transparency in auditor's reporting and engagement quality reviews requirements should be expanded to apply to public interest entities.

6. The IAASB received 46 comment letters from its world-wide constituents. The XRB in their submission supported aligning the definition of public interest entity with the IESBA definition. We agreed it makes sense for the same term to be used and defined in the same way in international standards.
7. During the exposure draft period, the IAASB identified an issue of divergence between IAASB's Exposure Draft and the definition of public interest entities in the IESBA's Code. The IAASB noted concerns related to instances where jurisdictions have not adopted the IESBA public interest entity definition or have removed a mandatory public interest entity category from the definition. In these jurisdictions firms would be required to treat certain entities as public interest entities under the IAASB Proposal but not for the purposes of the IESBA Code.
8. As a result of this issue, the IAASB decided not to include the definition of public interest entity into the IAASB's standards at this time. The IAASB decided to monitor the uptake of the IESBA's public interest entity definition globally.
9. In the interim, the IAASB voted to adopt the term "publicly traded entity" (PTE) to replace "listed entity". This achieves alignment to the greatest extent possible at this time with the IESBA Code.
10. The IAASB approved "*Narrow Scope Amendments to the ISQMs, ISAs, and ISRE 2400 (Revised) as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity in the IESBA Code*" (the Pronouncement) with affirmative votes of 16 out of 16 IAASB members in June 2025.
11. In finalising the Pronouncement, the IAASB clarified, that local jurisdictions may define PTEs more explicitly, for example by making reference to specific public markets for trading securities, incorporating exemptions for specific types of entities, or setting size criteria. Additionally, The IAASB definition of PTE recognises that terms other than PTE might be used in a specific jurisdiction and clarifies that when other terms are applied to entities of significant public interest, such terms are regarded as equivalent to "publicly traded entity".

Domestic process

12. The NZAuASB issued a [consultation paper](#) exploring whether to adopt the NZ definition of a public interest entity into the ISAs (NZ) and consulted its constituency by seeking input from a wide range of targeted New Zealand constituents. The NZAuASB asked how the proposed changes will impact the New Zealand market given New Zealand definition is broad and includes all entities required to report in accordance with tier 1 reporting requirements.
13. The NZASB hosted a feedback forum, to collect verbal feedback, and received 6 comment letters(they can be found on the website [here](#)). At the conceptual level, most stakeholders agreed that the same definition of public interest entity should be used for the auditing standards, quality management and the code of ethics. However, the majority of stakeholders considered that expanding the application of certain requirements to the NZ definition of public interest entities, given our broad definition, goes too far, and that the costs exceed the benefits.
14. Considering the feedback received, the NZAuASB's preference was to retain the current NZ settings, i.e., the additional transparency and engagement quality review requirements apply to FMC reporting entities considered to have a higher level of public accountability (FMC HLPAs), as these are considered fit for purpose for the New Zealand market.

15. In August 2025, the NZAuASB considered if and how to adopt the definition of a publicly traded entity (PTE) in addition to FMC HLPAs in New Zealand. The definition of a PTE differs slightly from listed entities as it includes all publicly accessible market mechanisms, which may be broader than listings on the NZX. The NZAuASB discussed:
 - The merits of similar requirements across all publicly accessible trading platforms to level the playing field for all entities, and the need to avoid arbitrage opportunities.
 - The regulatory settings in New Zealand recognise that markets such as Catalyst and Unlisted are not regulated like FMC reporting entities to keep costs down. Investors recognise this risk when investing on these exchanges.
16. On balance, the NZAuASB agreed to retain the current settings that certain requirements apply to FMC HLPAs entities, noting that these settings are still broader, including for example banks and insurance companies, than the international revised settings and are aligned with the regulatory settings that are in place to identify the entities of significant public interest. The NZAuASB considered this as the simplest setting, with the lowest risk on unintended consequences at this time.
17. The NZAuASB considers that international alignment is achieved, because:
 - FMC HLPAs definition includes entities listed on New Zealand Stock Exchange. These are PTEs that are of significant public interest in New Zealand.
 - Some entities trading on platforms for smaller or medium sized entities might meet the regulatory definition of FMC HLPAs, because they would be recognised as entities of significant public interest by the regulator.
18. As a result, the NZAuASB decided that it was not necessary to include the definition of publicly traded entity in ISAs (NZ) and the quality management standards. This approach is consistent with previous drafting practices, where the definition of “listed entities” was not included in auditing and assurance standards. The FMC HLPAs definition is included in place of PTE².
19. The NZAuASB decided to adopt all other amendments included in the IAASB Pronouncement, including a framework when it may be appropriate to apply the additional transparency and engagement quality review requirements to other entities. These amendments impact mainly ISA (NZ) 200³ and PES 3⁴.

Australian process and harmonisation with Australia

20. The Auditing and Assurance Standards Board (AUASB) released an exposure draft *Proposed Narrow Scope Amendments to International Standards on Quality Management, International Standards on Auditing and International Standard on Review Engagements 2400 (Revised) as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity in the IESBA Code* on 5 February 2024, which was open for comment until 25 March 2024. Two written submissions were received that generally supported the proposals.
21. The AUASB has not identified any issues to date with including the definition of a PTE and referring to PTEs as in the final IAASB Pronouncement. Our understanding is that Australian PTEs are already captured within the definition of listed entities in Australia: entities trading on other markets than Australian Stock Exchange, for example National Stock Exchange or

² PTE definition remains unchanged in Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1)*. The ethical requirements in PES 1 relating to PTEs might apply to audits of different entities than in ISAs (NZ) and the quality management Standards.

³ ISA (NZ) 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (New Zealand)

⁴ Professional and Ethical Standard 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

Cboe, are considered listed entities. Therefore, the change from “listed” to PTE does not have any significant consequences for Australia.

22. We note that the New Zealand requirements do still apply more broadly than in Australia.

Repeal and Reissue International Standards on Auditing (New Zealand)

Background

23. Conforming amendments are changes made to related standards to ensure consistency and alignment following the revision of a primary standard. Conforming amendments help maintain coherence across the standards, that all standards work together.
24. Revisions to ISA (NZ) 240, ISA (NZ) 570 and amendments resulting from IAASB's PTE Pronouncement necessitate updates to references and terminology in multiple ISAs (NZ) to reflect new concepts introduced or new paragraphs added to the current suite of the standards.
25. The NZAuASB also identified several editorial changes to ISAs (NZ) including:
- (a) change of accounting standards name issued by the International Accounting Standards Board (IASB) from “International Financial Reporting Standards” to “IFRS Accounting Standards” and
 - (b) change of accounting standards issued by New Zealand Accounting Standards Board from “New Zealand equivalents to International Financial Reporting Standards” to “New Zealand equivalents to IFRS Accounting Standards”
 - (c) change of references to NZ IFRS 18 and NZ IAS 8 instead of current references to NZ IAS 1
 - (d) Other editorial corrections.
26. While the nature of each of these amendments is not significant individually, they are numerous and affect multiple standards.

Compilation of amendments into ISAs (NZ)

27. Auditing and assurance standards issued by the NZAuASB under delegated authority of the External Reporting Board are secondary legislation under the Legislation Act 2019. They are therefore legally binding and have the force of law.
28. Compiled versions of the standards, which consolidate the principal standard and amendments are not secondary legislation. They are provided for ease of use but do not carry legal status unless formally issued as secondary legislation.
29. The ISAs (NZ) were originally issued in 2011 with many having been amended multiple times since then. For example, ISA (NZ) 200 has been amended 15 times to date.
30. To streamline the secondary legislation issued by the XRB, the NZAuASB has opted to repeal and to reissue the affected ISAs (NZ) rather than issue amending standards and then consolidate the current ISAs (NZ) and the amendments. The new versions of ISAs (NZ) incorporate all historical amendments as well as the latest changes resulting from amendments listed above. The new version of the standards holds the status of secondary legislation.
31. The list of the affected ISAs (NZ) is included in the Appendix. Additionally, the NZAuASB plans to publish a marked-up version of the changes for each of the replaced ISAs (NZ) to help users identify the changes resulting from the above-mentioned amendments.

32. Conforming amendments and editorial changes that do not impact ISAs (NZ) have been grouped into an amending standard, *Amendments to Assurance Standards 2025*. It includes amendments to PES 3, PES 4 and NZ AS 1 (Revised) and assurance standards.
33. The application date for all the conforming amendments is for accounting periods beginning on or after 15 December 2026. The are intended to be adopted as a package. The revisions resulting from going concern and fraud standards affect the auditor's report and are to be applied together to avoid possible confusion for readers of auditor's reports. Therefore, early adoption is not permitted.

Privacy

34. The Financial Reporting Act 2013, section 22(2) requires that the External Reporting Board consult with the Privacy Commissioner where an accounting or assurance standard is likely to require the disclosure of personal information. No such consultation is required in relation to the *Reissued ISAs (NZ) and other conforming amendments* as there is not broadening of the scope of the existing requirements.

Due process

35. Revisions to ISA (NZ) 240 and ISA (NZ) 570 were approved by the NZAuASB in August 2025 and June 2025 respectively. The conforming and consequential amendments to these standards were exposed as part of those projects with no feedback received from New Zealand stakeholders specific to these conforming and consequential amendments.
36. The revisions in respect of the IAASB's PTE changes were exposed in New Zealand, and the overwhelming feedback received was to retain the extant New Zealand references to FMC HLPAs. This is already broader than the PTE approach adopted internationally and in Australia.
37. We consider that [section 22\(1\)](#) of the Financial Reporting Act 2013 does not apply in relation to the other editorial amendments and that a formal public consultation/engagement is not necessary because:
 - The amendments are consequential in nature and result from adoption of other standards by the XRB.
 - The changes are minor and relate to updating references to other standards or updating terminology that was approved when the standards were approved.
 - The changes do not change any intention of the current requirements or application material in any of the standards.
38. The due process followed by the NZAuASB complied with the due process requirements established by the XRB Board and in the NZAuASB's view meets the requirements of section 12(b) of the Financial Reporting Act 2013.

Consistency with XRB Financial Reporting Strategy

39. The adoption of Standard is consistent with one of the key strategic objectives set by the XRB Board for the NZAuASB to adopt international auditing and assurance standards, as applying in New Zealand unless there are compelling reasons not to.
40. The decision not to adopt the PTE definition, but retain the definition of FMC HLPAs, in the view of the NZAuASB achieves the XRB's strategy of internationally aligned and locally relevant, i.e. it allows New Zealand standards to align with the international standards with appropriate amendment for the New Zealand context.

Cost/benefit analysis

41. *Reissued ISAs (NZ) and Amendments to Assurance Standards 2025* do not create are not substantial in their nature, they do not result in new requirements for practitioners. We expect that cost of these changes will be insignificant for the practitioners.
42. The benefit is that the practitioners will be able to use standards that are interoperable and aligned within the suite of XRB standards and in addition have all amendments combined together.

Other matters

43. There are no other matters relating to the issue of this standard that the NZAuASB considers to be pertinent or that should be drawn to your attention.

Recommendation

44. The NZAuASB recommends that you sign the attached certificate of determination on behalf of the XRB Board.

Attachments

- ISAs (NZ) approved for repeal and reissue by the NZAuASB as per appendix 1
- Amendments to Assurance standards 2025 (list of amended standards as per appendix 2)
- Certificate of determination
- Approval Certificate

Graeme Pinfold
Chair NZAuASB

APPENDIX 1

International Standards on Auditing (New Zealand) repealed and reissued

- ISA (NZ) 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (New Zealand)*
- ISA (NZ) 210 *Agreeing the Terms of Audit Engagements*
- ISA (NZ) 220 (Revised) *Quality Management for an Audit of Financial Statements*
- ISA (NZ) 230 *Audit Documentation*
- ISA (NZ) 250 (Revised) *Consideration of Laws and Regulations in an Audit of Financial Statements*
- ISA (NZ) 260 (Revised) *Communication with Those Charged with Governance*
- ISA (NZ) 265 *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*
- ISA (NZ) 300 *Planning an Audit of Financial Statements*
- ISA (NZ) 315 (Revised 2019) *Identifying and Assessing the Risks of Material Misstatement*
- ISA (NZ) 330 *The Auditor's Responses to Assessed Risks*
- ISA (NZ) 450 *Evaluation of Misstatements Identified during the Audit*
- ISA (NZ) 500 *Audit Evidence*
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- ISA (NZ) 510 *Initial Audit Engagements – Opening Balances*
- ISA (NZ) 530 *Audit Sampling*
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- ISA (NZ) 550 *Related Parties*
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- ISA (NZ) 580 *Written Representation*
- ISA (NZ) 600 (Revised) *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*
- ISA (NZ) 610 (Revised 2013) *Using the Work of Internal Auditors*
- ISA (NZ) 700 (Revised) *Forming an Opinion and Reporting on Financial Statements*
- ISA (NZ) 701 *Communicating Key Audit Matters in the Independent Auditor's Report*
- ISA (NZ) 705 (Revised) *Modifications to the Opinion in the Independent Auditor's Report*
- ISA (NZ) 706 (Revised) *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*
- ISA (NZ) 710 *Comparative Information – Corresponding Figures and Comparative Financial Statements*
- ISA (NZ) 720 (Revised) *The Auditor's Responsibility Relating to Other Information*
- ISA (NZ) 800 (Revised) *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*
- ISA (NZ) 805 (Revised) *Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*

- ISA (NZ) 810 (Revised) *Engagements to Report on Summary Financial Statements*

APPENDIX 2

Assurance Standards amended by Amendments to Assurance Standards 2025 approved by the NZAuASB in October 2025

- External Reporting Board Standard (XRB) Au1 *Application of Auditing and Assurance Standards*
- Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*
- Professional and Ethical Standard 3, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*
- Professional and Ethical Standard 4, *Engagement Quality Reviews*
- New Zealand Auditing Standard 1 (Revised), *Audit of Service Performance Information*
- International Standard on Auditing (New Zealand) 501, *Audit Evidence – Specific Considerations for Selected Items*
- International Standard on Assurance Engagements (New Zealand) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*
- ISAE (NZ) 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information in a Prospectus*
- Standard on Assurance Engagements 3450, *Assurance Over Financial Information Prepared in Connection with a Capital Raising*
- International Standard on Related Services (New Zealand) 4400, *Agreed-upon Procedures Engagements*

NZAuASB Board meeting summary paper

Meeting date: 8 October 2025

Subject: **Conforming amendments - review engagement standards¹**

Date: 22 September 2025

Prepared by: Sharon Walker

☒ **Action Required**

☐ **For Information Purposes Only**

Agenda item objectives

1. The objective of this agenda item is for the NZAuASB to approve:
 - (a) Amendments to Review Engagement Standards; and
 - (b) The signing memorandum

Background

2. The purpose of this amending standard is to make necessary amendments to the review engagement standards to ensure interoperability with Professional and Ethical Standard 1².
3. Part 4A of Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* requires, when a firm has applied the independence requirements for public interest entities in performing an audit or review of the financial statements of an entity, the firm to publicly disclose that fact in a manner deemed appropriate, taking into account the timing and accessibility of the information to stakeholders.³
4. Given that Part 4A of Professional and Ethical Standard 1 also applies to review engagements, conforming amendments to ISRE (NZ) 2400 (Revised) and NZ SRE 2410 (Revised) are considered necessary.

Revision to ISRE (NZ) 2400 (Revised)

5. The IAASB approved an amendment to ISRE 2400 (Revised) in June 2025 to include a new requirement that applies only when the relevant ethical requirements require public disclosure that specific independence requirements for reviews of financial statements of certain entities were applied, such as public interest entities. The IAASB amendment is effective for reviews of financial statements for periods beginning on or after 15 December 2026.
6. The XRB consulted on this amendment as part of its [Public Interest Entity Amendments](#) consultation. We did not receive any comments specific to the proposed amendment to ISRE 2400 (Revised). The IAASB approved its [Narrow Scope Amendments](#) in June 2025, effective

¹ The term "Review Engagement Standards" is used to refer to ISRE (NZ) 2400, *Review of Historical Financial Statements Performed by an Assurance Practitioner who is Not the Auditor of the Entity*, and NZ SRE 2410 (Revised), *Review of Financial Statements Performed by the Independent Auditor of the Entity*, collectively

² Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*

³ Professional and Ethical Standard 1, paragraph [R400.25](#)

for audits and reviews of financial statements for periods beginning on or after 15 December 2026.

7. The revision applies to paragraph 86 and related application material in ISRE (NZ) 2400 (Revised).

Revisions to NZ SRE 2410 (Revised)

8. In New Zealand, NZ SRE 2410 (Revised) is used by practitioners and has been maintained to reflect conforming amendments arising from recent projects.
9. For consistency with the public disclosure required by Professional and Ethical Standard 1, paragraph 36 of NZ SRE 2410 (Revised), and related illustrative interim review reports, are amended. Additionally, a paragraph of application material has been added.

Application date

10. While the international amendment to ISRE 2400 (Revised) is effective from December 2026, Professional and Ethical Standard 1 currently requires this disclosure, if applicable. Staff consider it is important for this amending standard to apply as soon as possible to align with requirements that are already effective in Professional and Ethical Standard 1.
11. Accordingly, staff recommend the amending standard apply for accounting periods beginning on or after 15 December 2025 and that early adoption be permitted.

Does the Board agree with the recommended application date?

Does the Board agree with the recommendation to permit early application?

Due process

12. The Financial Reporting Act 2013⁴ requires that the Board not issue a standard unless it has taken reasonable steps to consult those who would be substantially affected by the issue of the standard.
13. The following consultations are directly related to the requirement to publicly disclose when the public interest entity independence requirements have been applied:
 - [Amendments to Professional and Ethical Standard 1: Revisions to the definition of public interest entity](#)
 - [Narrow Scope Amendments to ISAs \(NZ\) due to Public Interest Entity Revisions](#) and
 - [Public Interest Entity Amendments: Narrow scope amendments to auditing and assurance standards](#)
14. The XRB did not receive any comments that related specifically to the amendment to ISRE (NZ) 2400 (Revised). We have not consulted directly on the amendment to NZ SRE 2410. However, based on the various consultations undertaken, and the responses received, we believe that due process has been achieved.

Does the Board agree that due process requirements have been met?

Recommendations

15. Staff recommends that the Board approve the amending standard and the related signing memorandum.

⁴ Financial Reporting Act 2013, section 22

Material presented

- Board meeting summary paper
- Amendments to Review Engagement Standards
- Signing memorandum



AMENDMENTS TO REVIEW ENGAGEMENT STANDARDS

This Standard was made under section 12(b) of the Financial Reporting Act 2013 by the New Zealand Auditing and Assurance Standards Board of the External Reporting Board after complying with section 22 of that Act.

In finalising this Standard, the External Reporting Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

This Standard is secondary legislation for the purposes of the Legislation Act 2019.

Explanatory note

(This note is not part of the standard)

This Standard makes conforming amendments to the review engagement standards to enable compliance with the requirement in Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand) for the firm to publicly disclose when the firm has applied the independence requirements for public interest entities in performing an audit or review of the financial statements.

Copyright

(This notice is not part of the standard)

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AMENDMENTS TO REVIEW ENGAGEMENT STANDARDS

Issued by the New Zealand Auditing and Assurance Standards Board

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A: Commencement and application

When standard takes effect (Section 27 Financial Reporting Act 2013)

1. This standard takes effect on the 28th day after the date of its publication under the Legislation Act 2019¹.

Accounting period in relation to which standards commence to apply (section 28 Financial Reporting Act 2013)

2. The accounting periods in relation to which this standard commences to apply are:
 - (a) for an **early adopter**, those accounting periods, following and including, the **early adoption accounting period**.
 - (b) for any other auditor or assurance practitioner, those accounting periods following, and including, the first accounting period that begins on or after the **mandatory date**.

3. In paragraph 2:

early adopter means an auditor or assurance practitioner that applies this standard for an early adoption accounting period.

early adoption accounting period means the accounting period:

- (a) that begins before the mandatory date but has not ended or does not end before this standard takes effect (and to avoid doubt, that period may have begun before this standard takes effect); and
- (b) for which the early adopter:
 - (i) first applies this standard for any audit or review engagement; and
 - (ii) discloses in the auditor's or assurance practitioner's report for that accounting period that this standard has been applied for that period.

mandatory date means 15 December 2025.

¹ This footnote is not part of the standard. The standard was published under the Legislation Act 2019 on 30 October 2025 and takes effect on 27 November 2025.

B: Introduction

Part 4A of Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* requires, when a firm has applied the independence requirements for public interest entities in performing an audit of the financial statements of an entity, the firm to publicly disclose that fact in a manner deemed appropriate, taking into account the timing and accessibility of the information to stakeholders.²

Given that Part 4A of Professional and Ethical Standard 1 also applies to review engagements³ conforming amendments to the review engagement standards are necessary to ensure interoperability.

The amendments affect the following standards:

- ISRE (NZ) 2400 (Revised) *Review of Historical Financial Statements Performed by an Assurance Practitioner who is Not the Auditor of the Entity*
- NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity*

Underline and strikethrough are used to indicate changes.

Note: The application paragraph and footnote numbers within these amendments do not align with the actual paragraph and footnote numbers of the standards that will be amended, and reference should be made to the compiled standards.

² Professional and Ethical Standard 1, paragraph R400.25

³ Paragraph 400.2 of Professional and Ethical Standard 1 explains that Part 4A applies to both audit and review engagements unless otherwise stated and that the terms “audit,” “audit team,” “audit engagement,” “audit client,” and “audit report” apply equally to review, review team, review engagement, review client, and review engagement report.

C: Amendments to Review Engagement Standards

ISRE (NZ) 2400 (Revised) *Review of Historical Financial Statements Performed by an Assurance Practitioner who is Not the Auditor of the Entity*

...

Requirements

...

The Assurance Practitioner's Report

86. The assurance practitioner's report for the review engagement shall be in writing, and shall contain the following elements: (Ref: Para. A122–A125, A146, A148)

(a)...

(j) A reference to the assurance practitioner's obligation under this ISRE (NZ) to comply with relevant ethical requirements;

(j)A If the relevant ethical requirements require the assurance practitioner to publicly disclose when the assurance practitioner applied independence requirements specific to reviews of financial statements of certain entities, the assurance practitioner's report shall include a statement that:

(i) Identifies the jurisdiction of origin of the relevant ethical requirements or refers to the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards); and

(ii) Indicates that the assurance practitioner is independent of the entity in accordance with the independence requirements applicable to reviews of financial statements of those entities. (Ref. Para. A137A)

NZ(j)A.1 In New Zealand, the statement required by paragraph 86(j)A shall refer to Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand).

(k) The date of the assurance practitioner's report; (Ref: Para. A142-A145)

(l) The assurance practitioner's signature; and (Ref: Para. A136)

(m) The location in the jurisdiction where the assurance practitioner practices.

...

Application and Other Explanatory Material

...

The Assurance Practitioner's Report (Ref. Para 86-92)

...

The Assurance Practitioner's Responsibility (Ref: Para. 86(f))

...

Relevant Ethical Requirements (Ref: Para 86(j)A(ii))

A137A. Relevant ethical requirements may:

- Establish independence requirements that are applicable to reviews of financial statements of certain entities specified in the relevant ethical requirements, such as the independence requirements for reviews of financial statements of public interest entities in Professional and Ethical Standard 1. Relevant ethical requirements may also require or encourage the assurance practitioner to determine whether it is appropriate to apply such independence requirements to reviews of financial statements of entities other than those entities specified in the relevant ethical requirements.
- Require the assurance practitioner to publicly disclose when the assurance practitioner applied independence requirements specific to reviews of financial statements of certain entities. For example, Professional and Ethical Standard 1 requires that when a firm has applied the independence requirements for public interest entities in performing a review of the financial statements of an entity, the firm publicly disclose that fact, unless making such disclosure would result in disclosing confidential future plans of the entity.⁴ The following illustrates the disclosure in the assurance practitioner's report when Professional and Ethical Standard 1 comprises all of the relevant ethical requirements that apply to the review engagement:

We are independent of the Company in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand), as applicable to reviews of public interest entities.

NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity*

...

Requirements

...

Reporting the Nature, Extent and Results of the Review of Financial Statements

...

36. The auditor's review report shall include a section, directly following the Conclusion section, with the heading "Basis for Conclusion", that:

- (a) States that the review of the financial statements was conducted in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity*.
- (b) Refers to the section of the auditor's review report that describes the auditor's responsibilities under NZ SRE 2410 (Revised).
- (c) Includes a statement that the auditor is independent of the entity in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board ~~the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements,~~ and has fulfilled the auditor's other ethical responsibilities in accordance with Professional and Ethical Standard 1 ~~these requirements.~~

⁴ Professional and Ethical Standard 1, paragraphs R400.25-R400.26

(d) If the relevant ethical requirements require⁵ the auditor to publicly disclose when the auditor applied independence requirements specific to audits or reviews of financial statements of certain entities, the statement required by paragraph 36(c) shall indicate that the auditor is independent in accordance with the independence requirements applicable to the audits or reviews of those entities. (Ref: para A44A)

(e) Includes a statement as to the existence of any relationship (other than that of auditor) which the auditor has with, or any interests which the auditor has in, the entity or any of its subsidiaries.

...

Application and Other Explanatory Material

...

Reporting the Nature, Extent and Results of the Review of Financial Statements (Ref: Para. 34-41)

...

Relevant Ethical Requirements (Ref: Para.36(d))

A44A Relevant ethical requirements may:

- Establish independence requirements that are applicable to reviews of financial statements of certain entities specified in the relevant ethical requirements, such as the independence requirements for reviews of financial statements of public interest entities in the Professional and Ethical Standard 1. Relevant ethical requirements may also require or encourage the assurance practitioner to determine whether it is appropriate to apply such independence requirements to reviews of financial statements of entities other than those entities specified in the relevant ethical requirements.
- Require the assurance practitioner to publicly disclose when the assurance practitioner applied independence requirements specific to reviews of financial statements of certain entities. For example, Professional and Ethical Standard 1 requires that when a firm has applied the independence requirements for public interest entities in performing a review of the financial statements of an entity, the firm publicly disclose that fact, unless making such disclosure would result in disclosing confidential future plans of the entity.⁶

...

⁵ Professional and Ethical Standard 1, R400.25-R400.26

⁶ Professional and Ethical Standard 1, paragraphs R400.25-R400.26

Appendix 3

Illustrations of Review Reports – Unmodified and Modified Conclusions

...

Example of an Unmodified Auditor's Review Report on Financial Statements

For purposes of this illustrative report, it is assumed that the auditor has reviewed the interim financial statements of a FMC reporting entity considered to have higher level of public accountability.

INDEPENDENT AUDITOR'S REVIEW REPORT

To [Appropriate Addressee]

Report on the Review of the [appropriate title for the Financial Statements]⁷

Conclusion

...

Basis for Conclusion

We conducted our review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Statements section of our report. We are independent of the [entity] in accordance with ~~the Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)~~ relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, as applicable to audits and reviews of public interest entities. ~~and we~~ We also have fulfilled our other ethical responsibilities in accordance with ~~these ethical requirements~~ Professional and Ethical Standard 1. Other than in our capacity as assurance practitioner we have no relationship with, or interests in, [name of entity].

...

Auditor's Responsibilities for the Review of the Financial Statements

Our responsibility is to express a conclusion on the [period] financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the [period] financial statements are not prepared, in all material respects, in accordance with the [applicable financial reporting framework].

A review of [period] financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that we might identify in an audit. Accordingly, we do not express an audit opinion on those [period] financial statements.

...

⁷ The sub-title "Report on the Review of the [Financial Statements]" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

Example of an Auditor's Review Report with a Qualified Conclusion (Except For) For a Departure From the Applicable Financial Reporting Framework

INDEPENDENT AUDITOR'S REVIEW REPORT

[Appropriate Addressee]

Report on the Review of [appropriate title for the financial statements]⁸

Qualified Conclusion

...

Basis for Qualified Conclusion

Based on information provided to us by management, [name of entity] has excluded from property and long-term debt certain lease obligations that we believe should be capitalised to conform with [indicate applicable financial reporting framework]. This information indicates that if these lease obligations were capitalised at 31 December 20XX, property would be increased by \$_____, long-term debt by \$_____, and net income and earnings per share would be increased (decreased) by \$_____ and \$_____ respectively for the [period] ended on that date.

We conducted our review in accordance with NZ SRE 2410 (Revised) Review of Financial Statements Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Statements section of our report. We are independent of the [entity] in accordance with ~~the Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, as applicable to audits and reviews of public interest entities. and we~~ We also have fulfilled our other ethical responsibilities in accordance with ~~these ethical requirements~~ Professional and Ethical Standard 1. Other than in our capacity as assurance practitioner we have no relationship with, or interests in, [name of entity].

...

Auditor's Responsibilities for the Review of the Financial Statements

Our responsibility is to express a conclusion on the [period] financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the [period] financial statements are not prepared, in all material respects, in accordance with the [applicable financial reporting framework].

A review of [period] financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that we might identify in an audit. Accordingly, we do not express an audit opinion on those [period] financial statements.

...

⁸ The sub-title "Report on the Review of the [Financial Statements]" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

Example of an Auditor's Review Report with a Qualified Conclusion For a Limitation on Scope Not Imposed by Management or Those Charged with Governance

INDEPENDENT AUDITOR'S REVIEW REPORT

To [Appropriate Addressee]

Report on the Review of [appropriate title for the financial statements]⁹

Qualified Conclusion

...

Basis for Qualified Conclusion

As a result of a fire in a branch office on [date] that destroyed its accounts receivable records, we were unable to complete our review of accounts receivable totalling \$ _____ included in the [period] financial statements. The [entity] is in the process of reconstructing these records and is uncertain as to whether these records will support the amount shown above and the related allowance for uncollectible accounts. Had we been able to complete our review of accounts receivable, matters might have come to our attention indicating that adjustments might be necessary to the [period] financial statements.

We conducted our review in accordance with NZ SRE 2410 (Revised) Review of Financial Statements Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Statements section of our report. We are independent of the [entity] in accordance with ~~the Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, as applicable to audits and reviews of public interest entities. and we~~ We also have fulfilled our other ethical responsibilities in accordance with ~~these ethical requirements~~ Professional and Ethical Standard 1. Other than in our capacity as assurance practitioner we have no relationship with, or interests in, [name of entity].

...

Auditor's Responsibilities for the Review of the Financial Statements

Our responsibility is to express a conclusion on the [period] financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the [period] financial statements are not prepared, in all material respects, in accordance with the [applicable financial reporting framework].

A review of [period] financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that we might identify in an audit. Accordingly, we do not express an audit opinion on those [period] financial statements.

...

⁹ The sub-title "Report on the Review of the [Financial Statements]" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

Example of an Auditor's Review Report With an Adverse Conclusion For a Departure From the Applicable Financial Reporting Framework

INDEPENDENT AUDITOR'S REVIEW REPORT

To [Appropriate Addressee]

Report on the Review of [appropriate title for the financial statements]¹⁰

Adverse Conclusion

...

Basis for Adverse Conclusion

As explained in Note X, commencing this period, [title of those charged with governance] of the [entity] ceased to consolidate the financial statements of its subsidiary companies since [title of those charged with governance] considers consolidation to be inappropriate because of the existence of new substantial non-controlling interests. This is not in accordance with [applicable financial reporting framework]. Had consolidated financial statements been prepared, virtually every account in the financial statements would have been materially different. The effects on the financial statements of the failure to consolidate have not been determined.

We conducted our review in accordance with NZ SRE 2410 (Revised) Review of Financial Statements Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Statements section of our report. We are independent of the [entity] in accordance with ~~the Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, as applicable to audits and reviews of public interest entities.~~ We also have fulfilled our other ethical responsibilities in accordance with ~~these ethical requirements~~ Professional and Ethical Standard 1. Other than in our capacity as assurance practitioner we have no relationship with, or interests in, [name of entity].

...

Auditor's Responsibilities for the Review of the Financial Statements

Our responsibility is to express a conclusion on the [period] financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the [period] financial statements are not prepared, in all material respects, in accordance with the [applicable financial reporting framework].

A review of [period] financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that we might identify in an audit. Accordingly, we do not express an audit opinion on those [period] financial statements....

...

¹⁰ The sub-title "Report on the Review of the [Financial Statements]" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

Minimum Legislative Information

(This information is not part of the standard)

This standard is secondary legislation issued under the authority of the Legislation Act 2019.

Title	Amendments to Review Engagement Standards
Principal or amendment	Amendment
Consolidated version	No
Empowering Act and provisions	This standard was made under section 12(b) of the Financial Reporting Act 2013 .
Replacement empowering Act and provision	Not applicable.
Maker name	New Zealand Auditing and Assurance Standards Board of the External Reporting Board
Administering agency	External Reporting Board
Date made	24 October 2025
Publication date	30 October 2025
Notification date	30 October 2025
Commencement date	This standard takes effect on 27 November 2025.
End date	Not applicable
Consolidation as at date	Not applicable
Related instruments	ISRE (NZ) 2400 (Revised), Review of Historical Financial Statements Performed by an Assurance Practitioner who is Not the Auditor of the Entity NZ SRE 2410 (Revised), Review of Financial Statements Performed by the Independent Auditor of the Entity

Memorandum

Date: 8 October 2025

To: John Kensington, Chair External Reporting Board

From: Graeme Pinfold, Chair NZAuASB

Subject: **Certificate Signing Memorandum:** *Amendments to Review Engagement Standards*

Introduction

1. In accordance with the protocols established by the XRB Board, the NZAuASB seeks your approval to issue *Amendments to Review Engagement Standards* which amends ISRE (NZ) 2400 (Revised) *Review of Historical Financial Statements Performed by an Assurance Practitioner who is Not the Auditor of the Entity* and NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity*, (collectively referred to as the review engagement standards)

Background

2. Part 4A of Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* requires, when a firm has applied the independence requirements for public interest entities in performing an audit of the financial statements of an entity, the firm to publicly disclose that fact in a manner deemed appropriate, taking into account the timing and accessibility of the information to stakeholders.¹
3. Given that Part 4A of Professional and Ethical Standard 1 also applies to review engagements conforming amendments to the review engagement standards² are considered necessary to ensure their interoperability with Professional and Ethical Standard 1.

Revisions to ISRE 2400 (Revised)

4. The IAASB approved amendments to ISRE 2400 (Revised) in June 2025 to include a conditional requirement for the auditor to publicly disclose, in the review report, when the stricter independence requirements have been applied. The IAASB amendment is effective for reviews of financial statements for periods beginning on or after 15 December 2026.
5. The XRB consulted on this amendment as part of its [Public Interest Entity Amendments](#) consultation. Submissions to the XRB did not address the proposed amendment to ISRE 2400 (Revised).

Revisions to NZ SRE 2410 (Revised)

6. In New Zealand, NZ SRE 2410 (Revised) is actively used by practitioners and has been maintained to reflect conforming amendments arising from recent projects.

¹ Professional and Ethical Standard 1, [paragraph R400.25](#)

² The term "Review Engagement Standards" is used to refer to ISRE (NZ) 2400 and NZ SRE 2410 (Revised) collectively

7. For consistency with the public disclosure required Professional and Ethical Standard 1, the NZAuASB has amended paragraph 36 of NZ SRE 2410 (Revised) and related illustrative interim review reports. Additionally, a paragraph of application material has been added.

Australian process and harmonisation with Australia

8. The AUASB does not currently have a project to amend the Australian review engagement standards.

Privacy

9. The Financial Reporting Act 2013, section 22(2) requires that the External Reporting Board consult with the Privacy Commissioner where an accounting or assurance standard is likely to require the disclosure of personal information. No such consultation is required in relation to this standard.

Due process

10. The due process followed by the NZAuASB complied with the due process requirements established by the XRB Board and in the NZAuASB's view meets the requirements of section 12(b) of the Financial Reporting Act 2013.

Consistency with XRB Financial Reporting Strategy

11. The adoption of *Amendments to Review Engagement Standards* ensures the interoperability of Professional and Ethical Standard 1 with the review engagement standards, thereby maintaining the integrity of the assurance standards.

Other matters

12. There are no other matters relating to the issue of this standard that the NZAuASB considers to be pertinent or that should be drawn to your attention.

Recommendation

13. The NZAuASB recommends that you sign the attached certificate of determination on behalf of the XRB Board.

Attachments

- Amendments to Review Engagement Standards
- Certificate of determination
- Approval Certificate

Graeme Pinfold
Chair NZAuASB

NZAuASB Board meeting summary paper

Meeting date: 8 October 2025

Subject: **Going Concern**

Date: 22 September 2025

Prepared by: Sharon Walker

☒ **Action Required**

☐ **For Information Purposes Only**

Agenda item objectives

1. The objective of this agenda item is to provide the Board with an update on:
 - (a) Changes to the revised ISA (NZ) 570 *Going Concern* and the signing memorandum since their approval in principle by the Board in June.
 - (b) Progress on developing guidance.

Background

2. At its June 2025 meeting, the NZAuASB approved ISA (NZ) 570 (Revised 2024), *Going Concern*. It was also agreed to defer issuing the standard, to enable the going concern, fraud and publicly traded entity revisions to be issued together as a package. Given that not all conforming amendments were considered at the time of approval in June, it was also agreed that any necessary substantive updates identified in finalising the package of standards be brought to the attention of the NZAuASB for consideration.

Matters to consider

3. Since approval, the NZAuASB has agreed that it would be helpful to remove “Revised” from the title of standards going forward (refer August 2025 minutes, agenda item 5). We have therefore removed “(Revised 2024)” from the title of the going concern standard.
4. We have also applied updated Parliamentary Counsel Office requirements for secondary legislation, for example, by adding a Minimum Legislative Information table at the back of the standard.
5. In New Zealand, those charged with governance generally have responsibility for ensuring an entity meets its legal obligations in relation to the preparation of the financial statements. The NZAuASB makes a compelling reason change to the international terminology to change management to those charged with governance when it affects the terms of the engagement, written representations and the auditor’s report.
6. In preparing the standard for publication, we identified that the statement in the auditor’s report relating to the auditor’s conclusion on the appropriateness of management’s use of the going concern basis of accounting had not been changed to reflect that the responsibility belongs to those charged with governance. The other NZ references had been updated.

7. Paragraphs 34(a)(i), 35(d)(ii) and 36(c)(ii) have been amended and marked as NZ paragraphs. The illustrative reporting examples have also been amended, by changing management to refer to those charged with governance.
8. In the signing memorandum, we have provided additional information about plans to reduce the volume of secondary legislation. We have also added a few paragraphs to reflect our consideration of cost/benefit.

Plans for guidance

9. Staff of the assurance and accounting standards teams have been working closely together to develop guidance for those charged with governance and for management and preparers of financial statements to support the implementation of the revised ISA (NZ) 570, which:
 - (a) Includes brief explanations of the changes to auditing standards in relation to going concern, with emphasis on the new requirements that will impact all auditor's reports;
 - (b) Reminds management and those charged with governance about their responsibilities in relation to going concern, including a reminder of existing accounting requirements for management;
 - (c) Notes that, while accounting standards have not changed, the change to auditing standards puts going concern firmly in the spotlight, and serves as a timely reminder of management's critical role in assessing the going concern assumption and in developing robust documentation for such assessments; and
 - (d) Encourages management to engage with auditors – and those charged with governance to engage with management – with respect to the implications of the new audit requirements.
10. We have also prepared two flowcharts to assist auditors. These flowcharts:
 - Provide a walkthrough of the auditor's decision making process for going concern (leveraging from international material); and
 - Link going concern considerations to types of audit opinions developed with AUASB staff.

Action requested of the NZAuASB

11. The NZAuASB is asked to:
 - (a) APPROVE the changes to the revised ISA (NZ) 570 and signing memorandum.
 - (b) NOTE the draft staff guidance which we plan to issue when we publish the standards

Material presented

- ISA (NZ) 570, *Going Concern*
- Signing memorandum
- Draft guidance
- Going concern flowcharts

INTERNATIONAL STANDARD ON AUDITING (NEW ZEALAND) 570**Going Concern**

This Standard was made under section 12(b) of the Financial Reporting Act 2013 by the New Zealand Auditing and Assurance Standards Board of the External Reporting Board after complying with section 22 of that Act.

In finalising this Standard, the External Reporting Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

This Standard is secondary legislation for the purposes of the Legislation Act 2019.

This Standard, ~~when applied, supersedes~~ repeals the ~~current~~ ISA (NZ) 570 (Revised) issued by the External Reporting Board issued in October 2015.

Explanatory note

This note is not part of the Standard

This International Standard on Auditing (New Zealand) (ISA (NZ)) represents the New Zealand equivalent of ISA 570 (~~Revised 2024~~) *Going Concern* and will ~~supersede~~ ~~repeal~~ the current ISA (NZ) 570 (Revised) issued by the New Zealand Auditing and Assurance Standards Board of the External Reporting Board in October 2015 (as amended to November 2023)

ISA (NZ) 570 has been revised as a result of the revision of the international auditing standard on going concern.

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INTERNATIONAL STANDARD ON AUDITING (NEW ZEALAND) 570

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Conforming Amendment

International Standard on Auditing (New Zealand) (ISA (NZ)) 570 *Going Concern*, should be read in conjunction with ISA (NZ) 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (New Zealand)*.

History of Amendments

Table of pronouncements – ISA (NZ) 570 *Going Concern*

This table lists the pronouncements establishing and amending the ISA (NZ) 570 *Going Concern*.

Pronouncements	Date approved	Application date
International Standard on Auditing (New Zealand) 570	October 2025	Periods beginning on or after 15 December 2026, refer commencement and application section

Commencement and Application

When standard takes effect (Section 27 Financial Reporting Act 2013)

- 0.1 This standard takes effect on the 28th day after the date of its publication under the Legislation Act 2019¹.

Accounting period in relation to which standards commence to apply (section 28 Financial Reporting Act 2013)

- 0.2 The accounting periods in relation to which this standard commences to apply are for an auditor, those accounting periods following, and including, the first accounting period that begins on or after the **mandatory date**.

mandatory date means 15 December 2026.

¹ This footnote is not part of the standard. The standard was published under the Legislation Act 2019 on 30 October 2025 and takes effect on 27 November 2025.

Introduction

Scope of this ISA (NZ)

1. [Amended by the NZAuASB]
- NZ1.1 This International Standard on Auditing (New Zealand) (ISA (NZ)) deals with the auditor's responsibilities in the audit of financial statements relating to going concern and the implications for the auditor's report. Although this ISA (NZ) applies irrespective of the entity's size or complexity, particular considerations apply only for audits of financial statements of FMC reporting entities considered to have a higher level of public accountability. (Ref: Para. A1–A2)
- NZ1.2 For the purposes of this ISA (NZ), a reference to “management” is taken to mean “management, and where appropriate, those charged with governance”.
- NZ1.3 In New Zealand, those charged with governance generally have responsibility for ensuring an entity meets its legal obligations in relation to the preparation of the financial statements. In these cases the process of financial reporting is usually delegated to management, but the responsibility for such matters remains with those charged with governance. In applying this standard the auditor shall apply professional judgement, using knowledge of the legal requirements and corporate governance practices of New Zealand as well as the particular engagement circumstances, to determine whether the requirements of this standard apply to management or those charged with governance or both.

Going Concern Basis of Accounting

2. Under the going concern basis of accounting, the financial statements are prepared on the assumption that the entity is a going concern and will continue its operations for the foreseeable future. General purpose financial statements are prepared using the going concern basis of accounting, unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. Special purpose financial statements may or may not be prepared in accordance with a financial reporting framework for which the going concern basis of accounting is relevant (e.g., the going concern basis of accounting is not relevant for some financial statements prepared on a tax basis in particular jurisdictions). When the use of the going concern basis of accounting is appropriate, assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business. (Ref: Para. A3)

Responsibility for Assessment of the Entity's Ability to Continue as a Going Concern

Responsibilities of Management

3. Some financial reporting frameworks contain an explicit requirement for management to make a specific assessment of the entity's ability to continue as a going concern and include standards regarding matters to be considered and disclosures to be made in connection with going concern. For example, New Zealand Equivalent to International Accounting Standard 8 (NZ IAS 8) requires management to make an assessment of an entity's ability to continue as a going concern.² The detailed requirements regarding

² NZ IAS 8 *Basis of Preparation of Financial Statements*, paragraphs 6K–6L

management's responsibility to assess the entity's ability to continue as a going concern and related financial statement disclosures may also be set out in law or regulation. (Ref: Para. A4)

4. In other financial reporting frameworks, there may be no explicit requirement for management to make a specific assessment of the entity's ability to continue as a going concern. Nevertheless, where the going concern basis of accounting is a fundamental principle in the preparation of financial statements as discussed in paragraph 2, the preparation of the financial statements requires management to assess the entity's ability to continue as a going concern even if the financial reporting framework does not include an explicit requirement to do so.
5. Management's assessment of the entity's ability to continue as a going concern involves making a judgement, at a particular point in time, about inherently uncertain future outcomes of events or conditions. The following factors are relevant to that judgement:
 - The degree of uncertainty associated with the outcome of an event or condition increases significantly the further into the future an event or condition or the outcome occurs. For that reason, most financial reporting frameworks that require an explicit management assessment specify the minimum period for which management is required to take into account all available information.
 - The size and complexity of the entity, the nature and condition of its business and the degree to which it is affected by external factors affect the judgement regarding the outcome of events or conditions.
 - Any judgement about the future is based on information available at the time at which the judgement is made. Subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made.

Responsibilities of the Auditor

6. The auditor's responsibilities are to obtain sufficient appropriate audit evidence regarding, and conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements, and to conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. These responsibilities exist even if the financial reporting framework used in the preparation of the financial statements does not include an explicit requirement for management to make a specific assessment of the entity's ability to continue as a going concern.
7. However, as described in ISA (NZ) 200,³ the potential effects of inherent limitations on the auditor's ability to detect material misstatements are greater for future events or conditions that may cause an entity to cease to continue as a going concern. The auditor cannot predict such future events or conditions. Accordingly, the absence of a reference to an identified material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in an auditor's report cannot be viewed as a guarantee as to the entity's ability to continue as a going concern.

³ ISA (NZ) 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (New Zealand)*, paragraphs A56–A57

Effective Date

8. [Replaced by the NZAuASB. Refer paragraphs 0.1-0.2]
- NZ8.1 This Standard ~~supersedes~~ repeals ISA (NZ) 570 (Revised) *Going Concern* issued in October 2015.

Objectives

9. The objectives of the auditor are:
- (a) To obtain sufficient appropriate audit evidence regarding, and conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements;
 - (b) To conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern; and
 - (c) To report in accordance with this ISA (NZ).

Definition

10. For purposes of the ISA (NZ)s, the following term has the meaning attributed below:

Material Uncertainty (Related to Going Concern)—An uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern. "May cast significant doubt" is used to refer to circumstances where the magnitude of the potential impact and likelihood of occurrence of the identified events or conditions are such that, unless management's plans for future actions mitigate their effects, the entity may be unable to realise its assets and discharge its liabilities in the normal course of business and continue its operations for the foreseeable future. (Ref: Para. A5–A6)

Requirements

Risk Assessment Procedures and Related Activities

11. In applying ISA (NZ) 315 (Revised 2019),⁴ the auditor shall design and perform risk assessment procedures, including those required by paragraph 12, to obtain audit evidence that provides an appropriate basis for determining whether events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern. The identification of such events or conditions shall be before consideration of any related mitigating factors included in management's plans for future actions. (Ref: Para. A7–A15)

Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control

12. In applying ISA (NZ) 315 (Revised 2019),⁵ the auditor shall perform risk assessment

⁴ ISA (NZ) 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*, paragraphs 13-14

⁵ ISA (NZ) 315 (Revised 2019), paragraphs 19-27

procedures to obtain an understanding of: (Ref: Para. A9–A15)

The Entity and Its Environment

- (a) The entity's business model, objectives, strategies and related business risks relevant to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. (Ref: Para. A16)
- (b) Industry conditions, including the competitive environment, technological developments, and other external factors affecting the entity's financing.
- (c) The measures used, internally and externally, to assess the entity's financial performance, including forecasts, future cash flows, and management's budgeting processes. (Ref: Para. A17)

The Applicable Financial Reporting Framework

- (d) The requirements of the applicable financial reporting framework relating to going concern, and the related disclosures that are required to be included in the entity's financial statements. (Ref: Para. A18, A20)
- (e) The basis for management's intended use of the going concern basis of accounting. (Ref: Para. A19–A20)

The Entity's System of Internal Control

- (f) Unless all of those charged with governance are involved in managing the entity,⁶ how those charged with governance exercise oversight over management's assessment of the entity's ability to continue as a going concern. (Ref: Para. A21–A22)
- (g) The entity's risk assessment process to identify, assess and address business risks relating to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- (h) How management identifies the relevant method, significant assumptions and data that are appropriate in assessing the entity's ability to continue as a going concern. (Ref: Para. A23–A24)
- (i) How the entity's financial reporting process addresses disclosures related to the entity's ability to continue as a going concern. (Ref: Para. A25).

Remaining Alert Throughout the Audit for Information about Events or Conditions

13. The auditor shall remain alert throughout the audit for information about events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. (Ref: Para. A26–A29)

Events or Conditions not Previously Identified or Disclosed by Management

14. In applying ISA (NZ) 315 (Revised 2019),⁷ the auditor shall determine whether the audit evidence obtained from risk assessment procedures and related activities indicates the

⁶ ISA (NZ) 260 (Revised), *Communication with Those Charged with Governance*, paragraph 13

⁷ ISA (NZ) 315 (Revised 2019), paragraph 35

existence of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern that management has not previously identified or disclosed to the auditor. (Ref: Para: A30–A31)

Control Deficiencies Within the Entity's System of Internal Control

15. In applying ISA (NZ) 315 (Revised 2019),⁸ based on the auditor's evaluation of each of the components of the entity's system of internal control, the auditor shall determine whether one or more control deficiencies in respect of management's assessment of going concern have been identified. (Ref: Para. A32)

Evaluating Management's Assessment

16. Where management has not yet performed an assessment of the entity's ability to continue as a going concern, the auditor shall request management to make its assessment. If management is unwilling to make its assessment, the auditor shall consider the implications for the audit. (Ref: Para. A33)
17. The auditor shall design and perform audit procedures to evaluate management's assessment of the entity's ability to continue as a going concern, including the significant judgements on which management's assessment is based. (Ref: Para. A34–A36)
18. In designing and performing the audit procedures required by paragraph 17, the auditor shall do so in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory. (Ref: Para. A37)

Method, Significant Assumptions and Data Used in Management's Assessment

19. The audit procedures required by paragraph 17 shall include evaluating the method, significant assumptions and data used by management in assessing the entity's ability to continue as a going concern. In determining the nature and extent of such audit procedures, the auditor shall take into account the results of the risk assessment procedures performed. Such audit procedures shall address: (Ref: Para. A35, A38, A46)
 - (a) The method used by management to assess the entity's ability to continue as a going concern, including whether the: (Ref: Para. A39)
 - (i) Method selected is appropriate in the context of the applicable financial reporting framework, and, if applicable, changes from the method used in prior periods are appropriate; and (Ref: Para. A40)
 - (ii) Calculations, if applicable, are applied in accordance with the method and are mathematically accurate. (Ref: Para. A41)
 - (b) Whether the significant assumptions on which management's assessment is based are: (Ref: Para. A42).
 - (i) Appropriate in the context of the applicable financial reporting framework, and, if applicable, changes from prior periods are appropriate; and

⁸ ISA (NZ) 315 (Revised 2019), paragraph 27

- (ii) Consistent with each other and with related assumptions used in other areas of the entity's business activities, based on the auditor's knowledge obtained in the audit.
- (c) Whether the data is:
 - (i) Relevant and reliable; and (Ref: Para. A43–A44)
 - (ii) Appropriate in the context of the applicable financial reporting framework, and, if applicable, changes from prior periods are appropriate. (Ref: Para. A45)

Period Beyond Management's Assessment

20. The auditor shall enquire of management as to its knowledge of events or conditions beyond the period of management's assessment that may cast significant doubt on the entity's ability to continue as a going concern. If management or the auditor identifies such events or conditions, the auditor shall request management to evaluate the potential significance of the events or conditions on its assessment of the entity's ability to continue as a going concern. (Ref: Para. A47–A49)

Requesting Management to Extend Its Assessment

21. If management's assessment of the entity's ability to continue as a going concern covers less than twelve months from the date of approval of the financial statements as defined in ISA (NZ) 560,⁹ the auditor shall request management to extend its assessment period to at least twelve months from that date. (Ref: Para. A50–A53)

Management Unwilling to Extend its Assessment

22. If management is unwilling to extend its assessment when requested to do so by the auditor, the auditor shall discuss the matter with management and, where appropriate, those charged with governance. (Ref: Para. A54–A56)
23. If, following the discussion required by paragraph 22, in the auditor's professional judgement it is necessary for management to extend its assessment and management remains unwilling to do so, the auditor shall determine the implications for the audit. (Ref: Para. A57)

Information Used in Management's Assessment

24. In evaluating management's assessment of the entity's ability to continue as a going concern, the auditor shall consider whether management's assessment includes all relevant information of which the auditor is aware.
25. If the auditor identifies events or conditions that may cast significant doubt on the entity's ability to continue as a going concern that management has not previously identified or disclosed to the auditor, the auditor shall:
 - (a) Discuss the matter with management to understand the effects of those events or conditions on management's assessment of the entity's ability to continue as a going concern and request management to evaluate their potential significance;

⁹ ISA (NZ) 560, *Subsequent Events*, paragraph 5(b)

- (b) Determine whether it is necessary to request management to revise its going concern assessment to address the effect of those events or conditions; and (Ref: Para. A58)
- (c) If applicable, design and perform additional audit procedures to evaluate management's assessment of the entity's ability to continue as a going concern in accordance with paragraphs 17-19.

Evaluating Management's Plans for Future Actions

- 26. If events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern, the auditor shall evaluate management's plans for future actions in relation to its going concern assessment, including whether: (Ref: Para. A59–A62)
 - (a) The outcome of these plans is likely to be sufficient to mitigate the effects of the identified events or conditions;
 - (b) Management's plans are feasible in the circumstances; and
 - (c) Management has both the intent and ability to carry out specific courses of action.
- 27. If management's plans for future actions include the use of significant assumptions or data, the auditor shall perform the audit procedures required by paragraph 19(b)–(c).

Financial Support by Third Parties or Related Parties, Including the Entity's Owner-Manager

- 28. If management's plans for future actions include financial support by third parties or related parties, including the entity's owner-manager, the auditor shall obtain audit evidence about the intent and ability of those parties to maintain or provide the necessary financial support. (Ref: Para. A63–A65)

Information Becomes Known After the Date of the Auditor's Report

- 29. If additional information becomes known to the auditor after the date of the auditor's report but before the date the financial statements are issued that is related to management's assessment of the entity's ability to continue as a going concern, the auditor shall perform procedures in accordance with ISA (NZ) 560. (Ref: Para. A66)

Evaluating the Audit Evidence Obtained and Concluding

- 30. The auditor shall evaluate whether sufficient appropriate audit evidence has been obtained regarding, and shall conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements. In doing so, the auditor shall: (Ref: Para. A67)
 - (a) Evaluate whether the judgements and decisions made by management in making its assessment of the entity's ability to continue as a going concern, even if they are individually reasonable, are indicators of possible management bias. When indicators of possible management bias are identified, the auditor shall evaluate the implications for the audit. (Ref: Para. A68–A71)
 - (b) Consider all audit evidence obtained, including audit evidence that is consistent or inconsistent with other audit evidence, and regardless of whether it appears to corroborate or contradict the assertions in the financial statements.
- 31. Based on the audit evidence obtained, the auditor shall conclude whether, in the auditor's

professional judgement, a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. (Ref: Para. A72)

Adequacy of Disclosures

Adequacy of Disclosures When No Material Uncertainty Exists

32. If events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern but, based on the audit evidence obtained, the auditor concludes that no material uncertainty exists, the auditor shall evaluate whether, in view of the requirements of the applicable financial reporting framework, the financial statements provide adequate disclosures about these events or conditions, including, as applicable, when significant judgements are made by management in concluding that there is no material uncertainty. (Ref: Para. A73–A76)

Adequacy of Disclosures When a Material Uncertainty Exists

33. If the auditor concludes that management's use of the going concern basis of accounting is appropriate in the circumstances but a material uncertainty exists, the auditor shall determine whether the financial statements: (Ref: Para. A77)

- (a) Adequately disclose the principal events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and management's plans for future actions to address these events or conditions; and
- (b) Disclose clearly that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that the entity may be unable to realise its assets and discharge its liabilities in the normal course of business and continue its operations for the foreseeable future.

When a material uncertainty exists, adequate disclosure of the nature and implications of the uncertainty is necessary for:

- (i) In the case of a fair presentation financial reporting framework, the fair presentation of the financial statements, or
- (ii) In the case of a compliance framework, the financial statements not to be misleading.

Implications for the Auditor's Report

Use of Going Concern Basis of Accounting Is Appropriate – No Material Uncertainty Exists

34. If the auditor concludes that the going concern basis of accounting is appropriate and no material uncertainty exists, the auditor shall include a separate section in the auditor's report with the heading "Going Concern", and: (Ref: Para. A78–A79)

- (a) State that: (Ref: Para. A80–A81)
 - (i) [\[Amended by the NZAuASB\]](#)

[NZ34\(a\)\(i\).1](#) In the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, the auditor concluded that [those charged with governance's](#) ~~management's~~ use of the going concern basis of accounting in the preparation of the financial statements is appropriate;

- (ii) Based on the audit evidence obtained, the auditor has not identified a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern; and
- (iii) The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report and are not a guarantee as to the entity's ability to continue as a going concern.

(b) [Amended by the NZAuASB]

NZ34(b).1 For an audit of financial statements of a FMC reporting entity considered to have a higher level of public accountability, when significant judgements are made by management in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern: (Ref: Para. A82–A83, A89)

- (i) Include a reference to the related disclosure(s) in the financial statements, if any; and (Ref: Para. A73–A76)
- (ii) Describe how the auditor evaluated management's assessment of the entity's ability to continue as a going concern. (Ref: Para. A84–A88)

Use of Going Concern Basis of Accounting Is Appropriate – A Material Uncertainty Exists

Adequate Disclosure of a Material Uncertainty Is Made in the Financial Statements

35. If adequate disclosure about the material uncertainty is made in the financial statements, the auditor shall express an unmodified opinion and the auditor's report shall include a separate section under the heading "Material Uncertainty Related to Going Concern" and: (Ref: Para. A78–A79, A90–A91)

- (a) Include a reference to the related disclosure(s) in the financial statements; (Ref: Para. A73, A77)

(b) [Amended by the NZAuASB]

NZ35(b).1 For an audit of financial statements of a FMC reporting entity considered to have a higher level of public accountability, describe how the auditor evaluated management's assessment of the entity's ability to continue as a going concern; (Ref: Para. A84–A88)

- (c) State that these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern;
- (d) State that:

- (i) The auditor's opinion is not modified in respect of the matter;

- (ii) [\[Amended by the NZAuASB\]](#)

[NZ35\(d\)\(ii\).1](#) In the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, the auditor concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and

- (iii) The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report and are not a guarantee as to the entity's ability to continue as a going concern.

Adequate Disclosure of a Material Uncertainty Is Not Made in the Financial Statements

36. If adequate disclosure about the material uncertainty is not made in the financial statements, the auditor shall: (Ref: Para. A78–A79, A90, A92)

- (a) Express a qualified opinion or adverse opinion, as appropriate, in accordance with ISA (NZ) 705 (Revised);¹⁰
- (b) In the Basis for Qualified (Adverse) Opinion section of the auditor's report, state that a material uncertainty exists and that the financial statements do not adequately disclose this matter;
- (c) Include in the auditor's report a separate section under the heading "Material Uncertainty Related to Going Concern" and:
 - (i) Draw attention to the Basis for Qualified (Adverse) Opinion section of the auditor's report that states that a material uncertainty exists that has not been adequately disclosed in the financial statements;
 - (ii) State that:

- a. [\[Amended by the NZAuASB\]](#)

[NZ36\(c\)\(ii\)a.1](#) In the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, the auditor concluded that [those charged with governance's](#) ~~management's~~ use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and

- b. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report and are not a guarantee as to the entity's ability to continue as a going concern.

Considerations When the Auditor Disclaims an Opinion on the Financial Statements

37. When the auditor disclaims an opinion on the financial statements, unless required by law or regulation, the auditor shall not include separate sections on Going Concern or Material Uncertainty Related to Going Concern in the auditor's report.¹¹ (Ref: Para. A93–A94)

Use of Going Concern Basis of Accounting Is Inappropriate

38. If the financial statements have been prepared using the going concern basis of accounting but, in the auditor's professional judgement, management's use of the going concern basis of accounting in the preparation of the financial statements is inappropriate: (Ref: Para. A95–A96)

- (a) The auditor shall express an adverse opinion; and
- (b) Unless required by law or regulation, the auditor shall not include separate sections on Going Concern or Material Uncertainty Related to Going Concern in the auditor's report.

¹⁰ ISA (NZ) 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

¹¹ ISA (NZ) 705 (Revised), *paragraph 29*

Written Representations

39. [Amended by the NZAuASB]

- NZ39.1 The auditor shall request written representations from those charged with governance¹² addressing: (Ref: Para. A97)
- (a) Whether management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
 - (b) Whether the method, significant assumptions and data used in management's assessment of going concern and any related disclosures are appropriate in the context of the applicable financial reporting framework;
 - (c) That management's assessment of going concern reflects all events or conditions that may cast significant doubt on the entity's ability to continue as a going concern that management is aware of, and all such events or conditions, if any, have been disclosed to the auditor; and
 - (d) That matters relevant to going concern have been adequately disclosed in the financial statements, including, when applicable, significant judgements made by management in concluding that there is no material uncertainty.
40. If events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern the written representations required by paragraph NZ39.1 shall also address: (Ref: Para. A97)
- (a) Management's plans for future actions and whether such plans mitigate the effects of the identified events or conditions;
 - (b) The feasibility of these plans; and
 - (c) Whether management has the intent to carry out specific courses of action and has the ability to do so.

Communication with Those Charged with Governance

41. Unless all those charged with governance are involved in managing the entity,¹³ the auditor shall communicate on a timely basis with those charged with governance events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern. (Ref: Para. A98–A99)
42. If events or conditions are identified that may cast significant doubt on the entity's ability to continue as a going concern, the auditor shall communicate with those charged with governance: (Ref: Para. A100)
- (a) Whether the events or conditions constitute a material uncertainty;
 - (b) Whether management's use of the going concern basis of accounting is appropriate in the preparation of the financial statements;

¹² ISA (NZ) 580, *Written Representations*

¹³ ISA (NZ) 260 (Revised), paragraph 13

- (c) An overview of the audit procedures performed and the basis for the auditor's conclusions, including the auditor's evaluation of management's plans for future actions;
- (d) The adequacy of related disclosures in the financial statements, including disclosures that describe the significant judgements made by management and the mitigating factors in management's plans that are of significance to overcoming the adverse effects of the events or conditions;
- (e) When applicable, management's unwillingness to make or extend its assessment of the entity's ability to continue as a going concern when requested; and
- (f) The implications for the audit or the auditor's report. (Ref: Para. A101)

Reporting to an Appropriate Authority Outside of the Entity

43. When the auditor considers including a separate section under the heading "Material Uncertainty Related to Going Concern" in the auditor's report, or issuing a modified opinion in respect of matters related to going concern, the auditor shall determine whether law, regulation or relevant ethical requirements: (Ref: Para. A102–A105)
- (a) Require the auditor to report to an appropriate authority outside the entity.
 - (b) Establish responsibilities or rights under which reporting to an appropriate authority outside the entity may be appropriate in the circumstances.

Documentation

44. In applying ISA (NZ) 230,¹⁴ the auditor shall include in the audit documentation significant professional judgements made relating to the auditor's:
- (a) Conclusions on:
 - (i) The appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements; and
 - (ii) Whether or not a material uncertainty exists; and
 - (b) Determination of the adequacy of management's disclosures in the financial statements related to going concern.

Application and Other Explanatory Material

Scope of this ISA (NZ) (Ref: Para. 1)

- A1. In addition to the matters addressed by this ISA (NZ), ISA (NZ) 701¹⁵ deals with the auditor's responsibility to communicate key audit matters in the auditor's report. That ISA (NZ) acknowledges that, when ISA (NZ) 701 applies, the following are, by their nature key audit matters:¹⁶

¹⁴ ISA (NZ) 230, *Audit Documentation*, paragraphs 8–11, A6–A7 and Appendix

¹⁵ ISA (NZ) 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

¹⁶ ISA (NZ) 701, paragraph 15

- A material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern; or
- When significant judgements were made by management in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

However, in such circumstances, the implications for the auditor's report are in accordance with this ISA (NZ).

A2. [Amended by the NZAuASB]

NZA2.1 For audits of financial statements of FMC reporting entities considered to have a higher level of public accountability, when the auditor concludes, based on the audit evidence obtained, that no material uncertainty exists, and significant judgements were made by management in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, this ISA (NZ) requires the auditor to disclose under the heading of "Going Concern" within the auditor's report how the auditor evaluated management's assessment of the entity's ability to continue as a going concern.

Going Concern Basis of Accounting

Considerations Specific to Public Sector Entities (Ref: Para. 2)

A3. Management's use of the going concern basis of accounting is also relevant to public sector entities. For example, Public Benefit Entity International Public Sector Accounting Standard 1 (PBE IPSAS 1) addresses the issue of the ability of public sector entities to continue as going concerns.¹⁷ Going concern risks may arise, but are not limited to, situations where public sector entities operate on a for-profit basis, where government support may be reduced or withdrawn, or in the case of privatization. Events or conditions that may cast significant doubt on an entity's ability to continue as a going concern in the public sector may include situations where the public sector entity lacks funding for its continued existence or when policy decisions are made that affect the services provided by the public sector entity.

Responsibility for Assessment of the Entity's Ability to Continue as a Going Concern

Responsibilities of Management (Ref: Para. 3)

A4. The circumstances in which entities prepare financial statements on a going concern basis of accounting may vary. For example, NZ IAS 8 explains that those circumstances could range from when an entity has a history of profitable operations and ready access to financial resources, to when management may need to consider a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate.¹⁸

¹⁷ PBE IPSAS 1, *Presentation of Financial Reports*, paragraphs 38–41

¹⁸ NZ IAS 8, paragraph 6L

Definition (Ref: Para. 10)

- A5. The applicable financial reporting framework may or may not explicitly use the term “material uncertainty” when describing the uncertainties that are required to be disclosed in the financial statements related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. For example, the term “material uncertainty” is used in NZ IAS 8 and PBE IPSAS 1. In some other financial reporting frameworks, the term “significant uncertainty” is used in similar circumstances. The auditor is required by paragraph 31 to conclude whether a material uncertainty exists regardless of whether or how the applicable financial reporting framework defines a “material uncertainty.” The applicable financial reporting framework may also not define or describe the term “may cast significant doubt” or may use other terms or phrases.
- A6. Plans for future actions may include, for example, that management realises assets sooner than originally intended or obtains alternative or additional sources of liquidity to support the entity's ability to continue as a going concern (also see paragraphs 26–28). In such circumstances, the timing of the events or conditions giving rise to the uncertainty may also be relevant. For example, the shorter the time period in which management must take action, the more significant the uncertainty may be about the entity's ability to continue as a going concern.

Risk Assessment Procedures and Related Activities
Events or Conditions That May Cast Significant Doubt on the Entity's Ability to Continue as a Going Concern (Ref: Para. 11)

- A7. Some events or conditions may not cast significant doubt when considered individually, however when considered collectively with other events or conditions they may cast significant doubt on the entity's ability to continue as a going concern.

Examples:

The following are examples of identified events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern. These examples are not all-inclusive.

Financial

- Net liability or net current liability position.
- Fixed-term borrowings approaching maturity without realistic prospects of renewal or repayment; or excessive reliance on short-term borrowings to finance long-term assets.
- Indications of withdrawal of financial support by creditors.
- Recurring negative cash flows from operations or inability to generate cash flows from operations indicated by historical or prospective financial statements.
- Adverse key financial ratios.
- Substantial operating losses or significant deterioration in the value of assets used to generate cash flows.
- Arrears or discontinuance of dividends.

- Inability to pay creditors on due dates.
- Non-compliance or marginal ability to meet debt repayment or other debt covenant requirements or comply with the terms of loan agreements.
- Change from credit to cash-on-delivery transactions with suppliers.
- Inability to obtain additional debt or equity financing to stay competitive, including for financing or major research and development, capital expenditures, essential new product development and other essential investments.
- Exposure to liquidity risk as a result of the maturity mismatch of financial assets and liabilities.

Operating

- Management intentions to liquidate the entity or to cease operations.
- Loss of key personnel and management without replacement.
- Significant declines in customer demand.
- Loss of a major market, significant customer(s), franchise, license, or principal supplier(s).
- Labour difficulties.
- Shortages of important supplies.
- Emergence of a highly successful competitor.

Other

- Significant or sustained business interruption due to a cyber attack (e.g., denial of access to information or inability to provide service).
- Non-compliance or marginal ability to meet capital or other statutory or regulatory requirements, such as solvency or liquidity requirements for financial institutions or exchange listing requirements.
- Pending litigation and contingent liabilities arising from matters such as sales warranties, financial guarantees and environmental remediation or regulatory proceedings against the entity that may, if successful, result in claims that the entity is unlikely to be able to satisfy.
- Changes in law or regulation or government policy expected to adversely affect the entity, including sustainability related matters.
- Substantial decrease in share price.
- Significant exposures to volatile markets, such as exchange rates, commodities (e.g., crude oil prices), equities or interest rates.
- Uninsured or underinsured catastrophes or business interruption losses when they occur (e.g., an earthquake).
- Changes in the environment such as war, civil unrest, outbreaks of disease expected to adversely affect the entity or physical risks related to climate change (e.g., extreme flooding).

- A8. In certain circumstances, the auditor may identify fraud risk factors arising from events or conditions that may cast significant doubt on the entity's ability to continue as a going concern that are relevant to the identification and assessment of the risks of material misstatement due to fraud in accordance with ISA (NZ) 240.¹⁹

Examples:

- Recurring negative cash flows from operations or an inability to generate cash flows from operations may create a threat of bankruptcy, foreclosure, or hostile takeover that may indicate an incentive or pressure to commit fraud.
- Non-compliance or marginal ability to meet debt covenant requirements may threaten the ability to renew borrowings and indicate an incentive or pressure to improve the business performance or to intentionally misstate the financial statements.

Risk Assessment Procedures and Related Activities (Ref: Para. 11–12)

- A9. ISA (NZ) 315 (Revised 2019) contains requirements and guidance regarding the auditor's responsibility to obtain an understanding of the entity and its environment, the applicable financial reporting framework, and the entity's system of internal control, and the identification and assessment of the risks of material misstatement whether due to fraud or error. The requirements and guidance in this ISA (NZ) refer to, or expand on, what is required by ISA (NZ) 315 (Revised 2019) relevant to identifying events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- A10. The risk assessment procedures and related activities assist the auditor in determining whether management's use of the going concern basis of accounting is likely to be an important issue and its impact on planning the audit. In particular, when performing risk assessment procedures, such as those required by paragraphs 11–12, the auditor may identify information about certain events or conditions that, when considered individually or collectively, indicate that there are events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. These procedures also allow for more timely discussions with management, including a discussion of management's plans for future actions and resolution of any identified going concern issues when events or conditions are identified that may cast significant doubt on the entity's ability to continue as a going concern. The auditor uses professional judgement to determine the nature and extent of the risk assessment procedures to be performed to meet the requirements of this ISA (NZ).
- A11. ISA (NZ) 315 (Revised 2019)²⁰ requires the auditor to design and perform risk assessment procedures in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory. Designing and performing risk assessment procedures in an unbiased manner may assist the auditor in identifying potentially contradictory information. This may assist the auditor in maintaining professional scepticism when identifying whether the events or conditions

¹⁹ ISA (NZ) 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, paragraph 27

²⁰ ISA (NZ) 315 (Revised 2019), paragraph 13

that may cast significant doubt on the entity's ability to continue as a going concern give rise to a risk of management bias in the preparation of the financial statements (also see paragraphs A68–A71).

A12. The following are examples of risk assessment procedures that may be relevant:

Examples:

The Entity and its Environment

- Inquiries of financial planning and analysis personnel related to cash flow, profit and other relevant forecasts to understand the sensitivity analysis related to future earnings included in management's assessment of going concern.
- Inquiries of the entity's legal counsel about the existence of litigation and claims and the reasonableness of management's assessments of their outcome and the estimate of their financial implications.
- Review of previous forecasts (retrospective review) to obtain information regarding the effectiveness of management's process for assessing going concern.
- Inspecting the terms of debentures and loan agreements and determining whether any have been breached.

The Applicable Financial Reporting Framework

- Review of disclosures about the significant judgements and assumptions management makes about the future included in the entity's latest available financial statements that may be indicative of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

The Entity's System of Internal Control

- Inspecting the minutes of the meetings of shareholders, those charged with governance and relevant committees for reference to financing difficulties.

A13. The auditor may also use automated tools and techniques when designing and performing risk assessment procedures as required by paragraph 11.

Examples:

The auditor may use automated tools and techniques when:

- Performing analytical procedures to understand the trends of key financial ratios (e.g., the entity's key sources of earnings and their relationship to cash generation) or identify inconsistencies or unusual events.
- Applying predictive models to assess an entity's financial condition or to understand the impact of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (e.g., models for prediction of bankruptcy or insolvency).

Scalability (Ref: Para. 11–12)

A14. The nature and extent of the auditor's risk assessment procedures may vary based on the nature and circumstances of the entity.

Examples:**The Entity and its Environment**

- The nature and extent of the auditor's risk assessment procedures to obtain an understanding of the measures used, internally and externally, to assess the entity's financial performance are likely to be more extensive for entities with a complex structure and business activities. Such entities may also have complex borrowing arrangements with lenders, suppliers or group entities. In contrast, for smaller or less complex entities whose business activities are simple with few lines of business and with uncomplicated borrowing arrangements, the auditor's risk assessment procedures are likely to be less extensive.

The Applicable Financial Reporting Framework

- When the entity's business activities are affected to a lesser degree by uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, the related disclosures in the entity's financial statements may be straightforward and the applicable financial reporting requirements may be simpler to apply. In such circumstances, the auditor's procedures to obtain an understanding of the basis for management's intended use of the going concern basis of accounting are likely to be less extensive.

The Entity's System of Internal Control

- The nature and extent of the auditor's risk assessment procedures may also depend on the extent to which certain matters apply in the circumstances. For example, those charged with governance in smaller or less complex entities may not include independent or outside members who exercise oversight over management's assessment of the entity's ability to continue as a going concern. In addition, the entity's risk assessment process may be undertaken through the direct involvement of the owner-manager.

A15. The following considerations may be relevant for smaller or less complex entities:

- The size of an entity may affect its ability to withstand adverse conditions. Smaller entities may be able to respond quickly to exploit opportunities, but may lack reserves to sustain operations.
- Conditions of particular relevance to smaller entities include the risk that banks and other lenders may cease to support the entity, as well as the possible loss of a principal supplier, major customer, key employee, or the right to operate under a license, franchise or other legal agreement.

Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control

The Entity and Its Environment (Ref: Para. 12(a), 12(c))

A16. The entity's business model, objectives, strategies and related business risks may give rise to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Some business risks may be so significant that they have implications for the conclusion as to the appropriateness of the entity's use of the going concern basis of accounting and whether a material uncertainty exists.

Examples:

- Industry developments, such as the lack of access to appropriate personnel or expertise to deal with the changes in the industry or loss of significant customers or market share.
- New products and services that may lead to increased product liability.
- Expansion of the entity's business, and demand that has not been accurately estimated.
- Regulatory requirements resulting in increased legal exposure or financial impacts or restrictions on business activities, including those arising from sustainability related matters.
- Current and prospective financing requirements, such as loss of financing due to the entity's inability to meet certain predetermined revenue metrics.
- Incentives and pressures on management, which may result in management bias, and therefore affect the reasonableness of assumptions used in management's assessment of the entity's ability to continue as a going concern.

A17. Management will likely use information available about the future as well as historical information from internal and external sources when identifying events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Obtaining an understanding of the measures used, internally or externally, may highlight unexpected results or trends that may be indicative of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Examples:

- Internal performance measures may indicate an unusual deterioration in sales volume when compared to that of other entities in the same industry that may be indicative of a significant decline in market share or loss of customers.
- External information sources, such as pricing data, comparable data about competitors (benchmarking data) or macro-economic data may indicate competitive, industry, economic and other factors that are used in the entity's forecasts, future cash flow and budgeting processes.
- The analysis of the entity's financial performance by external parties, such as analysts, credit agencies or institutional investors, may highlight inconsistencies with management's performance measures.

The Applicable Financial Reporting Framework (Ref: Para. 12(d), 12(e))

A18. Obtaining an understanding of the requirements of the applicable financial reporting framework provides the auditor with information about the recognition, measurement and presentation criteria in the applicable financial reporting framework, and how they apply in the preparation of the financial statements under the going concern basis of accounting. The applicable financial reporting framework may also include disclosure requirements about the significant judgements and assumptions management makes in concluding whether or not there is a material uncertainty related to going concern. Law or regulation

may also include disclosure and other detailed requirements when preparing financial statements on the going concern basis of accounting.

- A19. The nature, extent, timing and frequency of management's assessment of the entity's ability to continue as a going concern may vary from entity to entity. In some entities, management may make assessments of the entity's ability to continue as a going concern more frequently as part of ongoing monitoring, while in other entities it may be made on an annual basis. If such an assessment has not yet been performed, the auditor may obtain an understanding of the basis for the intended use of the going concern basis of accounting through discussion with management and enquire of management whether events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern.

Considerations Specific to Public Sector Entities (Ref: Para. 12(d), 12(e))

- A20. In some jurisdictions the applicable financial reporting framework may include specific guidance for public sector entities in relation to going concern that is relevant to management's assessment of the entity's ability to continue as a going concern. For example, such guidance may recognise the relevance of considering the ongoing nature of government programmes to certain public sector entities and the presumption of continuation of public services and associated government funding to deliver these programmes.

The Entity's System of Internal Control (Ref: Para. 12(f), 12(h), 12(i))

- A21. Obtaining an understanding of the oversight by those charged with governance may be particularly important when the assessment of the entity's ability to continue as a going concern:
- Requires significant judgement by management to assess whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern; or
 - Is complex to make, for example, because of the use of multiple data sources or assumptions with complex interrelationships.
- A22. The effectiveness of management's assessment of the entity's ability to continue as a going concern may be influenced by the oversight exercised by those charged with governance. The auditor may obtain an understanding of whether those charged with governance:
- Have the skills or knowledge to understand the appropriateness of the method used by management in assessing the entity's ability to continue as a going concern.
 - Have the skills or knowledge to understand whether management's assessment of the entity's ability to continue as a going concern has been made in accordance with the requirements of the applicable financial reporting framework.
 - Are independent from management, have the information required to evaluate on a timely basis how management made the assessment of the entity's ability to continue as a going concern, and the authority to call into question management's actions when those actions appear to be inadequate or inappropriate.
 - Oversee management's process for making the assessment of the entity's ability to continue as a going concern.

A23. Aspects that may be relevant to the auditor's understanding of how management determines the relevant method, significant assumptions and data may include:

- The basis for management's selection of the method, assumptions and data used in assessing the entity's ability to continue as a going concern; and
- If alternative methods, assumptions or data were considered by management, including:
 - How management determines that the assumptions are relevant and complete.
 - How management determines the relevance, accuracy and completeness of the data used in the assessment.

A24. If management has changed its method for assessing the entity's ability to continue as a going concern from the prior period, considerations may include whether the new method is, for example, more appropriate, is itself a response to changes in the environment or circumstances affecting the entity, or to changes in the requirements of the applicable financial reporting framework or regulatory environment, or whether management has another valid reason. If management has not changed its method for assessing the entity's ability to continue as a going concern, considerations may include whether the continued use of the previous method, significant assumptions and data is appropriate in view of the current environment or circumstances.

A25. The disclosures related to the entity's ability to continue as a going concern may contain information that is obtained from other supporting records and information from outside of the general and subsidiary ledgers (e.g., information produced by an entity's risk management system about hedging strategies or sensitivity analysis derived from financial models that demonstrate management has considered alternative assumptions). As part of obtaining an understanding of the entity's system of internal control, the auditor may consider how management determines the appropriateness of such information used to develop the disclosures related to the entity's ability to continue as a going concern.

Remaining Alert Throughout the Audit for Information about Events or Conditions (Ref: Para. 13)

A26. As explained in ISA (NZ) 315 (Revised 2019),²¹ obtaining an understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control is a dynamic and iterative process of gathering, updating and analysing information and continues throughout the audit. Therefore, the auditor's determination of whether events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern may change as new information is obtained.

²¹ ISA (NZ) 315 (Revised 2019), paragraph A48

Example:

The auditor may identify a risk of a material misstatement associated with the valuation assertion for a lender of medium-term real estate backed loans because of a fall in real estate market values. The same event in combination with a severe economic downturn may have a longer-term consequence and a greater impact on the assessment of the risk of material misstatement that may also indicate an event or condition that may cast significant doubt on the entity's ability to continue as a going concern.

- A27. ISA (NZ) 315 (Revised 2019) requires the auditor to revise the auditor's identification or assessment of the risks of material misstatement if the auditor obtains new information which is inconsistent with the audit evidence on which the auditor originally based the identification or assessment of risk.²² If events or conditions that may cast significant doubt on the entity's ability to continue as a going concern are identified after the auditor's risk identification or assessments are made, in addition to performing the procedures in this ISA (NZ), the auditor's identification or assessment of the risks of material misstatement may need to be revised.
- A28. The auditor may also become aware of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern from:
- External information sources (e.g., publicly available information of the entity's financial performance by external parties, such as information about short-selling of shares, industry or macro-economic forward-looking information such as economic or earnings forecasts).
 - Other engagements performed for the entity (e.g., an agreed-upon procedures engagement).
 - The auditor's consideration of the other information in accordance with ISA (NZ) 720 (Revised).²³

Considerations Specific to Public Sector Entities (Ref: Para. 13)

- A29. In the public sector some entities may have broader responsibilities to publicly report beyond the preparation of the financial statements which may provide the auditor information about events or conditions that may cast significant doubt on an entity's ability to continue as a going concern. For example, in certain jurisdictions public sector entities may be required to report on long-term fiscal sustainability of a public sector entity's finances and the auditor may have additional responsibilities established by law or regulation with respect to such information. In such cases, the auditor may become aware of long-term fiscal sustainability concerns that may be indicative of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Events or Conditions not Previously Identified or Disclosed by Management (Ref: Para. 14)

- A30. If the auditor identifies events or conditions that may cast significant doubt on the entity's ability to continue as a going concern that management failed to identify or disclose to the

²² ISA (NZ) 315 (Revised 2019), paragraph 37

²³ ISA (NZ) 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

auditor, this may constitute a deficiency in internal control. ISA (NZ) 265²⁴ deals with the auditor's responsibility to communicate appropriately to those charged with governance and management deficiencies in internal control that the auditor has identified in an audit of financial statements.

- A31. When management has intentionally failed to identify or disclose to the auditor events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, this may raise doubts about their integrity and honesty, such as when the auditor suspects an intention to mislead. ISA (NZ) 240 provides further requirements and guidance in relation to the identification and assessment of the risks of material misstatement due to fraud.²⁵

Control Deficiencies Within the Entity's System of Internal Control (Ref: Para. 15)

- A32. When the auditor identifies one or more control deficiencies with respect to management's assessment of going concern, ISA (NZ) 265 requires the auditor to determine whether, individually or in combination, the deficiencies in internal control constitute a significant deficiency. Matters the auditor may consider in determining whether a significant deficiency in internal control exists related to management's assessment of going concern may include:

- Absence of a process established by management to identify, assess and address events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- Ineffective oversight by those charged with governance over management's assessment of the entity's ability to continue as a going concern.
- Evidence that management has failed to identify or disclose events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Evaluating Management's Assessment

Requesting Management to Make an Assessment (Ref: Para. 16)

- A33. When management is unwilling to make an assessment of the entity's ability to continue as a going concern, even when the financial reporting framework does not include an explicit requirement to do so, the auditor may consider management's lack of assessment as a limitation on the audit evidence the auditor has obtained. In accordance with ISA (NZ) 705 (Revised), when the possible effects on the financial statements of the inability to obtain sufficient appropriate audit evidence are pervasive, the auditor disclaims an opinion.

Management's Assessment and Supporting Analysis and the Auditor's Evaluation (Ref: Para. 17)

- A34. Management's assessment of the entity's ability to continue as a going concern is a key part of the auditor's evaluation whether:

²⁴ ISA (NZ) 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*

²⁵ ISA (NZ) 240 paragraphs 39-41

- Management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- A material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

A35. It is not the auditor's responsibility to rectify a lack of analysis by management. In some circumstances, however, a less extensive analysis by management to support its assessment may not prevent the auditor from concluding whether management's use of the going concern basis of accounting is appropriate in the circumstances. For example, when the entity has profitable operations and there are no liquidity concerns, and the entity's risk assessment process has not identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, the method, assumptions and data used by management to make its assessment may be less extensive. However, in situations when, in the auditor's professional judgement, management has not performed an appropriate assessment based on the nature and circumstances of the entity, this may be an indicator of a deficiency in internal control in accordance with ISA (NZ) 265.

Considerations Specific to Public Sector Entities (Ref: Para. 17)

A36. For certain public sector entities that are able to draw upon government assistance, management's assessment of going concern may not always be based on solvency or liquidity tests and other factors may be more relevant when the auditor evaluates the entity's ability to continue as a going concern. For example, the absence of a change in government policy in the assessment period may be more relevant when determining whether continued funding is likely to be secured to enable the entity to realise its assets and discharge its liabilities in the normal course of business and continue its operations for the foreseeable future.

Obtaining Audit Evidence in an Unbiased Manner (Ref: Para. 18)

A37. Obtaining audit evidence in an unbiased manner may involve obtaining evidence from multiple sources within and outside the entity. However, the auditor is not required to perform an exhaustive search to identify all possible sources of information to be used as audit evidence.

Examples:

Contradictory information may include:

- The results of the auditor's procedures to evaluate the assumptions used by management in a cash flow forecast highlight inconsistencies with assumptions used for other purposes, such as forecasts used to evaluate the recoverability of deferred tax assets or impairment of assets.
- Credit history information from external sources may indicate financial difficulties for significant customer(s) that has not been considered by management when assessing the recoverability of account receivable balances.
- The outcome of the analysis performed for other account balances is indicative of deteriorating financial performance (e.g., increased inventory obsolescence, delays in payments from customers, changes in customer base, increased

borrowings or delays in payments to creditors) that is not adequately considered by management when making its assessment of going concern.

Corroborative information may include:

- Publicly available information from external sources, such as analysts' expectations or industry data that is consistent with forecasts and assumptions used by management in its assessment of going concern.

Method, Significant Assumptions and Data Used in Management's Assessment (Ref: Para. 19)

A38. The method, significant assumptions and data used by management in its assessment of the entity's ability to continue as a going concern support the judgements made by management about the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements and whether a material uncertainty exists.

Method (Ref: Para. 19(a))

A39. "Method" refers to the approach taken by management to assess the entity's ability to continue as a going concern. A method may be based on using qualitative or quantitative information and involves applying assumptions and data, and taking into account a set of relationships between them.

Examples:

- When the entity's business activities are more complex or susceptible to a greater degree by uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, management's method may require input from multiple sources of historical and forward-looking data. The method may also include significant judgements and assumptions with multiple interrelationships between them or from sources of data external to the entity. Supporting analysis may include the effects of adverse scenarios or may employ sensitivity and scenario analysis to consider alternative outcomes related to the entity's current and expected profitability, its liquidity sources, financial obligations and the funds necessary to maintain the entity's operations for the foreseeable future. Supporting analysis may also reflect the interdependencies between risk variables that impact liquidity, market and credit risks.
- When the entity's business activities are simple or the business is affected to a lesser degree by uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, management may determine that the most appropriate method is to prepare a simple cash flow forecast and budget or other equivalent analysis covering the appropriate assessment period.

A40. Matters that may be relevant to the auditor's evaluation of whether the method selected is appropriate in the context of the applicable financial reporting framework and, if applicable, the appropriateness of changes from the prior period may include:

- Whether management's rationale for the method selected is appropriate;

- When management has determined that different methods result in significantly different outcomes, how management has investigated the reasons for these differences; and
- Whether the changes are based on new circumstances or new information. When this is not the case, the changes may not be reasonable or may be an indicator of possible management bias (also see paragraphs A68–A71).

A41. Matters that may be relevant to the auditor's evaluation of whether calculations are mathematically accurate may include whether management has provided adequate explanations for advanced or complex calculations or processing steps (e.g., multiple formulas or macros).

Significant Assumptions (Ref: Para. 19(b))

A42. Considerations for the auditor's evaluation regarding the significant assumptions on which management's assessment is based may include:

- Management's rationale for the selection of the assumptions;
- Whether the assumptions used are consistent with those used in other areas of the entity's business activities, for example, business prospects, assumptions in strategy documents and assumptions used in making accounting estimates;
- Whether the assumptions used by management in the prior period were reasonable, for example, by comparing the prior year assumptions to the actual outcomes in the current year.
- Whether management considered alternative assumptions to determine the effect of changes in the assumptions on the data used in making the assessment, for example, performing a sensitivity analysis including 'pessimistic' and 'optimistic' scenarios; and
- Whether a change from prior periods in selecting an assumption is based on new circumstances or new information. When this is not the case, the change may not be reasonable or may be an indicator of possible management bias (also see paragraphs A68–A71).

Example:

The use of automated tools and techniques may assist the auditor when performing sensitivity analysis of management's assessment of going concern to understand how outcomes are affected by changes in input variables such as discount or growth rates.

Data (Ref: Para. 19(c))

A43. Matters that may be relevant to the auditor's evaluation of whether the data is relevant and reliable may include, for example, management's rationale for selection of the data, how management evaluated whether the data is appropriate, the source of the data, or whether and how the integrity of the data has been maintained through all stages of information processing.

- A44. When using information produced by the entity, ISA (NZ) 500²⁶ requires the auditor to evaluate whether the information is sufficiently reliable for the auditor's purposes, including as necessary in the circumstances, to obtain audit evidence about the accuracy and completeness of the information and evaluating whether the information is sufficiently precise and detailed for the auditor's purposes.
- A45. Considerations for the auditor's evaluation of whether the data is appropriate in the context of the applicable financial reporting framework, and, if applicable, the appropriateness of changes from the prior period, may include:
- Whether the data used is consistent with data used elsewhere by management in the preparation of the financial statements;
 - Whether modifications made to the data are appropriate and supported by management's rationale; and
 - Whether a change from prior periods in the sources or items of data selected is based on new circumstances or new information. When this is not the case, the change may not be reasonable or may be an indicator of possible management bias (also see paragraphs A68–A71).

Scalability (Ref: Para. 19)

- A46. The nature and extent of the auditor's procedures may vary depending on the method, significant assumptions and data used by management to assess the entity's ability to continue as a going concern as well as the nature and circumstances of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Examples:

Method

- The greater the complexity of the method used by management to assess the entity's ability to continue as a going concern, the more likely it is that management may need to apply specialised skills or knowledge in making its assessment. Also, the auditor's procedures to evaluate management's method will likely be more extensive. In such circumstances it may also be appropriate to involve members of the engagement team with specialised skills or knowledge to assist the auditor in applying the audit procedures or evaluating the results of those procedures.
- In contrast, the auditor's procedures may be less extensive when management's method is simpler, such as when the method used includes a simple budget, sales or cash flow forecast and an analysis of the entity's borrowing facilities and requirements.

Significant Assumptions

- When the assumptions used by management inherently have a high level of subjectivity (e.g., assumptions based on internally developed plans for future restructuring of the entity's business units), the auditor's procedures are likely to

²⁶ ISA (NZ) 500, *Audit Evidence*, paragraph 9

be more extensive and may include consideration of forward-looking assumptions.

- In contrast, when management uses assumptions commonly used by other marketplace participants, the auditor's procedures to evaluate the assumptions used by management may be less extensive and may include the auditor comparing the assumptions to those obtained directly from the market or a third party.

Data

- When management's assessment of going concern includes large volumes of data from multiple sources, there may be inherent complexity in evaluating the reliability of the data used and the auditor's procedures may employ automated tools and techniques to evaluate the reliability of the data used by management.
- In contrast, when the source of the data is derived from a reputable external information source (e.g., from a central bank or statistical reports from reputable, authoritative sources) the auditor's procedures to consider the reliability of the information may not be as extensive.

Period Beyond Management's Assessment (Ref: Para. 20)

- A47. The auditor remains alert to the possibility that there may be known events, scheduled or otherwise, or conditions that will occur beyond the period of assessment used by management that may bring into question the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements. The degree of uncertainty associated with the outcome of an event or condition increases when the event or condition is further into the future.
- A48. Other than enquiry of management, the auditor does not have a responsibility to perform any other audit procedures to identify events or conditions that may cast significant doubt on the entity's ability to continue as a going concern beyond the period assessed by management, which, as required by paragraph 21, would be at least twelve months from the date of approval of the financial statements.
- A49. When events or conditions have been identified in the period beyond management's assessment, depending on the nature and circumstances of such events or conditions, the auditor may consider requesting management to revise the period of assessment for example, by extending it beyond twelve months from the date of approval of the financial statements.

Requesting Management to Extend Its Assessment (Ref: Para. 21)

- A50. Most financial reporting frameworks requiring an explicit management assessment about going concern specify the minimum period for which management is required to take into account all available information.²⁷ Paragraph 21 requires the auditor to request management to extend its assessment period if that period covers less than twelve months from the date of the approval of the financial statements. This requirement also applies when the applicable financial reporting framework does not specify the period to be

²⁷ For example, NZ IAS 8 defines this as a period that should be at least, but is not limited to, twelve months from the end of the reporting period and PBE IPSAS 1 defines this as a period that should be at least, but is not limited to, twelve months from the approval of the financial statements.

covered by management's assessment of the entity's ability to continue as a going concern.

- A51. The date of approval of the financial statements for purposes of the ISAs (NZ) is the date on which those with the recognised authority determine that all the statements that comprise the financial statements, including the related notes, have been prepared and that those with the recognized authority have asserted that they have taken responsibility for those financial statements.²⁸ The applicable financial reporting framework may use other terms to describe the "date of approval of the financial statements."²⁹
- A52. The auditor may also wish to discuss with management at an early stage of the audit the expected date of approval of the financial statements to assist the auditor in complying with the requirement in paragraph 21. To avoid misunderstandings, the auditor may also include in the engagement letter reference to the expectation that management's assessment of the entity's ability to continue as a going concern covers at least twelve months from the date of approval of the financial statements.³⁰
- A53. Certain entities, for example public sector entities, that are dependent on continued government funding will ordinarily not have certainty of funding beyond the annual budget cycle of governments. Management will therefore need to make assumptions about securing continued funding so that management's assessment covers a period of at least twelve months from the date of approval of the financial statements. In such circumstances the absence of information about a change of government policy may be relevant to the auditor's evaluation of the appropriateness of these assumptions.

Management Unwilling to Extend its Assessment (Ref: Para. 22–23)

- A54. An unwillingness by management to extend its assessment may be a limitation on the audit evidence the auditor is seeking to obtain about the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements. Accordingly, the auditor is required to discuss the matter with management, and where appropriate, with those charged with governance, and enquire as to the reasons for management's decision.
- A55. Where management has chosen not to extend the period of assessment, management and those charged with governance may be able to provide additional information to support the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements. For example, this may be the case when the entity has profitable operations and has no liquidity concerns, and management or those charged with governance have not identified any events or conditions that may cast significant doubt beyond the period of assessment they have chosen.
- A56. The level of detail and the formality of management's process to extend its assessment of the entity's ability to continue as a going concern to at least twelve months from the date of approval of the financial statements may vary from entity to entity. In some entities, management may prepare an assessment of the entity's ability to continue as a going

²⁸ ISA (NZ) 560, paragraph 5(b)

²⁹ For example, NZ IAS 10, *Events After the Reporting Period* uses the term "date when the financial statements are authorised for issue" and explains that the process involved in authorising the financial statements for issue will vary depending upon the management structure, statutory requirements and procedures followed in preparing and finalising the financial statements.

³⁰ ISA (NZ) 210, *Agreeing the Terms of Audit Engagements*, paragraph A24

concern, supported by detailed analysis, more frequently as part of its ongoing monitoring. In other cases, management may update its assessment from the date of the financial statements to the date of approval of the financial statements through less formal means. As explained in paragraph A35 a less extensive analysis by management to support its assessment may not prevent the auditor from concluding whether management's use of the going concern basis of accounting is appropriate in the circumstances.

A57. If the auditor is unable to obtain sufficient appropriate audit evidence that supports the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements, as a result of management's decision not to extend its assessment, the auditor may conclude that it is appropriate to:

- Revise the assessment of the risks of material misstatement and modify planned audit procedures in accordance with ISA (NZ) 315 (Revised 2019).³¹ For example, if management's decision is unreasonable in the circumstances, this may indicate a fraud risk factor that requires evaluation in accordance with ISA (NZ) 240.
- Consider management's unwillingness to extend its assessment as a limitation on the audit evidence the auditor has obtained. In accordance with ISA (NZ) 705 (Revised), when the possible effects on the financial statements of the inability to obtain sufficient appropriate audit evidence are pervasive, the auditor disclaims an opinion.

Information Used in Management's Assessment (Ref: Para. 25)

A58. Paragraphs 20, A27, A30–A31 and A66 describe circumstances that are relevant when it may be necessary for the auditor to request management to revise its assessment.

Evaluating Management's Plans for Future Actions (Ref: Para. 26–28)

A59. Management's plans for future actions may mitigate the significance of identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Such plans for future actions, may include plans to liquidate assets, borrow money or restructure debt, reduce or delay expenditures, or increase capital.

Examples:

- The risk of an entity being unable to make its normal debt repayments may be counterbalanced by management's plans to maintain adequate cash flows by alternative means, such as by disposing of assets, rescheduling loan repayments, or obtaining additional capital.
- The loss of a principal supplier may be mitigated by management's actions to secure a suitable alternative source of supply.

A60. The nature and extent of audit evidence to be obtained about management's intent and ability is a matter of professional judgement. The auditor's procedures to evaluate management's plans for future actions may include:

- Enquiry of management about its reasons for a particular course of action.
- Evaluating responses to enquiries of management about the ability to carry out a particular course of action given the entity's economic circumstances, including the

³¹ ISA (NZ) 315 (Revised 2019), paragraph 37

implications of its existing commitments and legal, regulatory or contractual restrictions that could affect the feasibility of management's actions.

- Evaluating responses to enquiries of management or those charged with governance with audit evidence from sources within or outside the entity.
- Inspecting information about management's history of carrying out its stated intentions.
- Inspecting written plans and other documentation, including, when applicable, formally approved budgets, authorisations or minutes.
- Inspecting records and documents for support of any planned disposals of assets.
- Inspecting reports of regulatory actions.
- Inspecting correspondence with lenders and finance providers that could affect the feasibility of management's plans to carry out further actions.
- Evaluating the consistency of significant assumptions in management's plans with those used in other accounting estimates, or with related assumptions used in other areas of the entity's business activities,
- Reviewing events occurring subsequent to the date of the financial statements and up to the date of the auditor's report to identify those that either mitigate or otherwise affect the entity's ability to continue as a going concern.
- Confirming the existence, legality and enforceability of arrangements to provide or maintain financial support with third parties or related parties, including the entity's owner-manager and evaluating the financial ability of such parties to provide additional funds.
- When prospective financial information is relevant, performing analytical procedures by comparing:
 - The prospective financial information for recent prior periods with historical results; and
 - The prospective financial information for the current period with results achieved to date.
- When management's plans for future actions are based on information from internal sources, comparing to information from reputable independent sources external to the entity.

A61. In certain circumstances the auditor may consider requesting an external confirmation³² of the existence and terms of borrowing facilities between the entity and external finance providers.

Examples:

Requesting an external confirmation may be appropriate when:

- Borrowing facilities are being renewed in the assessment period.

³² ISA (NZ) 330, *The Auditor's Responses to Assessed Risks*, paragraph 19

- There are limited financial resources available to the entity beyond those required to continue its operations.
- The entity is dependent on borrowing facilities shortly due for renewal, for example within twelve months from the date of approval of the financial statements.
- There is an indication that previous renewal of borrowing facilities was agreed with difficulty, or the lender has imposed additional conditions as a prerequisite for continued financing.
- There is a significant deterioration in projected cash flows.
- The value of assets granted as security for borrowing is declining.
- The entity has breached the terms of borrowing covenants, or there are indications of potential breaches.

A62. Some finance providers may be reluctant to confirm in writing to an entity or their auditor that borrowing facilities will be renewed. When management's plans for future actions are based on arrangements to maintain or secure borrowing facilities from external finance providers, the lack of an external confirmation may be a limitation on the audit evidence the auditor is seeking to obtain. In such circumstances, the auditor may consider making enquiries of external finance providers with respect to borrowing facilities, including information about the rationale for their reluctance to confirm in writing that borrowing facilities will be renewed and whether such rationale is specific to the circumstances of the entity. The auditor may also need to enquire of management as to whether there are alternative strategies or sources of financing that may mitigate the significance of identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If alternative strategies or sources of financing are not available, then a material uncertainty may exist.

Financial Support by Third Parties or Related Parties, Including the Entity's Owner-Manager Intent (Ref: Para. 28)

A63. Where management's plans for future actions include financial support by third parties or related parties, including the entity's owner-manager, whether through the subordination of loans, commitments to maintain or provide additional funding, or guarantees, and such financial support is important to an entity's ability to continue as a going concern, the auditor may need to consider requesting written confirmation from such parties to obtain sufficient appropriate audit evidence about their intent to provide the necessary financial support. Such written confirmation may be in paper form, or by electronic or other medium³³ and may include:

- Terms and conditions of the commitment from those parties.
- When applicable, the legality and enforceability of the commitments.
- The period or the specific date to which the parties intend to provide the financial support.

³³ ISA (NZ) 505, *External Confirmations*, paragraph 6(a)

Ability (Ref: Para. 28)

A64. The auditor's procedures to obtain sufficient appropriate audit evidence about the ability of the third parties or related parties, including the entity's owner-manager, to provide the financial support may include:

- Enquiries about the business rationale for the financial support and the basis on which such support is established (e.g., entity's business plans or other forecasts).
- Enquiries about the ability to provide the financial support in a timely manner for the entity to meet its obligations.
- Enquiries of others, such as external or internal legal counsel, or the auditor of the financial statements of a related party in a group audit engagement who may have relevant knowledge and information about the ability of third parties or related parties, including the entity's owner-manager, to provide the financial support.
- Inspecting the records of past financial support provided by the parties when such support was needed.
- Inspecting the latest available audited financial statements or other supporting information to obtain audit evidence about the financial position of the parties to provide the necessary financial support to the entity.

Scalability (Ref: Para. 28)

A65. Financial support by an entity's owner-manager is often important to the ability of smaller or less complex entities to continue as a going concern. Where a smaller or less complex entity is largely financed by a loan from the owner-manager, it may be important that these funds are not withdrawn.

Example:

The continuance of a smaller or less complex entity in financial difficulty may be dependent on the owner-manager subordinating a loan to the entity in favour of banks or other creditors, or the owner-manager supporting a loan for the entity by providing a guarantee with the owner-manager's personal assets as collateral. In such circumstances, the auditor may obtain appropriate documentary evidence of the subordination of the owner-manager's loan or of the guarantee. Where an entity is dependent on additional support from the owner-manager, the auditor evaluates the owner-manager's ability to meet the obligation under the support arrangement. In addition, the auditor may request written confirmation of the terms and conditions attaching to such support and the owner-manager's intention or understanding.

Information Becomes Known After the Date of the Auditor's Report (Ref: Para. 29)

A66. ISA (NZ) 560 requires the auditor to respond appropriately to facts that become known to the auditor after the date of the auditor's report but before the date the financial statements are issued, that, had they been known to the auditor at the date of the auditor's report, may have caused the auditor to amend the auditor's report.³⁴ For example, this may be the case when the auditor is aware of a significant delay between the date of the auditor's report

³⁴ ISA (NZ) 560, paragraphs 10-13

and the date the financial statements will be issued, and the auditor determines that such delay is related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Evaluating the Audit Evidence Obtained and Concluding (Ref: Para. 30–31)

A67. If the auditor is unable to obtain sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements, in accordance with ISA (NZ) 705 (Revised) the auditor is required to consider the implications for the audit.

Indicators of Possible Management Bias (Ref: Para. 30(a))

A68. The susceptibility to management bias, whether intentional or unintentional, may increase with the degree of estimation uncertainty, complexity and subjectivity in management's assessment of the entity's ability to continue as a going concern.

A69. When the auditor identifies indicators of possible management bias, the auditor may need a further discussion with management and may need to reconsider whether sufficient appropriate audit evidence has been obtained that the method, assumptions and data used by management to make its assessment of the entity's ability to continue as a going concern were appropriate.

Examples:

- Management may tend to ignore observable marketplace assumptions or data and instead use their own internally-developed assumptions or select data that yields a more favourable outcome.
- There may be changes in the method, assumptions or data from period to period without a clear and appropriate reason for doing so. In contrast, management may not have made changes in the method, assumptions or data from period to period despite significant changes in economic conditions or when other circumstances indicate that a change may be necessary.
- There may be significant influence of an owner-manager or a related party over the determination of the source of the information used in management's assessment of the entity's ability to continue as a going concern.
- Management may be overly optimistic or fail to consider trends and patterns in historical information when evaluating future outcomes about events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

A70. When such indicators are identified, this may also affect the auditor's conclusion as to whether the auditor's risk assessment and related responses remain appropriate. The auditor may also need to consider the implications for other aspects of the audit,³⁵ including the need to further question the appropriateness of management's judgements in making its assessment of the entity's ability to continue as a going concern. Further, indicators of possible management bias may affect the auditor's conclusion as to whether the financial

³⁵ ISA (NZ) 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*, paragraphs A133-A136

statements as a whole are free from material misstatement, as discussed in ISA (NZ) 700 (Revised).³⁶

- A71. Indicators of possible management bias may also be fraud risk factors and may cause the auditor to reassess whether the auditor's risk assessment, in particular the assessment of the risks of material misstatement due to fraud, and related responses remain appropriate.³⁷ When there is intention to mislead, management bias is fraudulent in nature and the auditor may need to consider whether the bias may represent a material misstatement due to fraud.

Concluding on Whether a Material Uncertainty Exists (Ref: Para. 31)

- A72. When events or conditions are identified that may cast significant doubt on the entity's ability to continue as a going concern, the auditor's conclusion required by paragraph 31 is dependent on the auditor's evaluation of management's plans for future actions in accordance with paragraphs 26–28. For example, a material uncertainty exists when, based on the audit evidence obtained, the auditor concludes that:

- The outcome of these plans is not likely to be sufficient to mitigate the effects of the identified events or conditions.
- Management's plans may not be feasible in the circumstances.
- Management may not have the intent or ability to carry out specific courses of action.
- Third parties or related parties, including the entity's owner-manager, may not have the intent or ability to provide necessary financial support.

When a material uncertainty exists, the auditor is required to determine whether the financial statements provide the disclosures required by paragraph 33.

Adequacy of Disclosures

Adequacy of Disclosures When No Material Uncertainty Exists (Ref: Para. 32, 34(b)(i))

- A73. Some financial reporting frameworks may address disclosures about:

- Principal events or conditions;
- Management's evaluation of the significance of those events or conditions in relation to the entity's ability to meet its obligations;
- Management's plans that mitigate the effect of these events or conditions;
- The assumptions management makes about the future, and other sources of estimation uncertainty; or
- Significant judgements made by management as part of its assessment of the entity's ability to continue as a going concern.

Example:

In assessing the entity's ability to continue as a going concern, management considers all relevant information about events or conditions that may cast significant doubt on

³⁶ ISA (NZ) 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, paragraph 11

³⁷ ISA (NZ) 240, paragraph 38

the entity's ability to continue as a going concern. Having considered all relevant information, including the feasibility and effectiveness of any remedial actions to mitigate the effects of those events or conditions, management may conclude that there is no material uncertainty. For example, in response to declining customer demand and uncertainties faced in the broader economic environment, management may have started executing a turnaround strategy that is demonstrating some evidence of success (e.g., reducing costs, optimising cash flows and preserving liquidity, to support the entity's ability to realise its assets and discharge its liabilities in the normal course of business and continue its operations for the foreseeable future). However, reaching the conclusion that there is no material uncertainty involved significant judgement by management in estimating the impact and the timing of the future cash flows.

- A74. When the financial statements are prepared in accordance with a fair presentation framework, the auditor's evaluation as to whether the financial statements achieve fair presentation includes the consideration of the overall presentation, structure and content of the financial statements, and whether the financial statements, including the related notes, represent the underlying transactions and events in a manner that achieves fair presentation.³⁸
- A75. When significant judgements are made by management in concluding that there is no material uncertainty, in applying paragraph 32 the auditor may determine, depending on the facts and circumstances, that additional disclosures are necessary for the financial statements to achieve fair presentation (for fair presentation frameworks) or for the financial statements not to be misleading (for compliance frameworks), as appropriate. Additional disclosures may be necessary, for example, when no disclosures are explicitly required by the applicable financial reporting framework regarding these circumstances.
- A76. In accordance with ISA (NZ) 705 (Revised),³⁹ the auditor is required to express a modified opinion in the auditor's report when the financial statements do not provide the additional disclosures necessary to achieve fair presentation beyond disclosures specifically required by the applicable financial reporting framework.

Adequacy of Disclosure When a Material Uncertainty Exists (Ref: Para. 33, 35(a))

- A77. Paragraph 33 requires the auditor to determine whether the financial statement disclosures address the matters set forth in that paragraph. This determination is in addition to the auditor determining whether disclosures about a material uncertainty, required by the applicable financial reporting framework, are adequate. Disclosures required by some financial reporting frameworks that are in addition to matters set forth in paragraph 33 may include disclosures about:
- Management's evaluation of the significance of the events or conditions relating to the entity's ability to meet its obligations and management's plans for future actions to address these events or conditions; or
 - Significant judgements made by management as part of its assessment of the entity's ability to continue as a going concern.

³⁸ ISA (NZ) 700 (Revised), paragraph 14

³⁹ ISA (NZ) 705 (Revised), paragraphs 6 and A7

Some financial reporting frameworks may provide additional guidance regarding management's consideration of disclosures about the magnitude of the potential impact of the principal events or conditions, and the likelihood and timing of their occurrence.

Implications for the Auditor's Report (Ref: Para. 34–38)

A78. The Appendix to this ISA (NZ) provides illustrations of the statements that are required to be included in the auditor's report on the financial statements when New Zealand equivalents to IFRS Accounting Standards is the applicable financial reporting framework. If an applicable financial reporting framework other than New Zealand equivalents to IFRS Accounting Standards is used, the illustrative statements presented in the Appendix to this ISA (NZ) may need to be adapted to reflect the application of the other financial reporting framework in the circumstances.

A79. The statements required by paragraphs 34–36 represent the minimum information that is to be presented in the auditor's report in each of the circumstances described. The auditor may provide additional information to supplement the required statements, for example reference to where the respective responsibilities of those with responsibility for the financial statements and of the auditor in relation to going concern are described. The Appendix of ISA (NZ) 700 (Revised)⁴⁰ includes illustrative wording to be included in the auditor's report in relation to going concern to describe the respective responsibilities of those responsible for the financial statements and of the auditor.

Use of Going Concern Basis of Accounting Is Appropriate – No Material Uncertainty Exists (Ref: Para. 34)

A80. The auditor may provide additional information in the auditor's report that would supplement the statements required by paragraph 34(a) (e.g., to provide a reference to the relevant accounting policies or the notes in the financial statements).

A81. [Amended by the NZAuASB]

NZA81.1 Illustration 1 of the Appendix to this ISA (NZ) is an example of an auditor's report of an entity other than a FMC reporting entity considered to have a higher level of public accountability when the auditor has obtained sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern basis of accounting and has concluded that no material uncertainty exists.

A82. [Amended by the NZAuASB]

NZA82.1 For an audit of financial statements of an entity other than a FMC reporting entity considered to have a higher level of public accountability, law or regulation may require the auditor to provide the information required by paragraph 34(b). The auditor also may decide that providing the information required by paragraph 34(b) for an entity other than a FMC reporting entity considered to have a higher level of public accountability would be appropriate to enhance transparency for intended users of financial statements in the auditor's report. For example, the auditor may decide to do so if the auditor determines that there is significant public interest in the financial condition of those entities.⁴¹ Examples of such entities may include financial institutions (such as banks, insurance

⁴⁰ ISA (NZ) 700 (Revised), paragraphs 34 and 39

⁴¹ ISA (NZ) 200, paragraph A14

companies, and pension funds), and other entities such as charities.

- A83. There may be circumstances when, in the auditor's professional judgement, the disclosures of management's judgements relating to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern are fundamental to the intended users' understanding of the financial statements. Also, there may be circumstances when the auditor, in addition to including a reference to the disclosure(s) in the financial statements, would consider it appropriate to draw attention to key aspects of them. In such circumstances, the information required by paragraph 34(b) can be supplemented to include aspects of the identified events or conditions disclosed in the financial statements, such as substantial operating losses, available borrowing facilities and possible debt refinancing, or non-compliance with loan agreements, and related mitigating factors or to draw attention to aspects of the disclosures of management's judgements.

Description of How the Auditor Evaluated Management's Assessment of Going Concern (Ref: Para. 34(b)(ii), 35(b))

- A84. The auditor may describe one or more of the following elements when providing the description of how the auditor evaluated management's assessment of the entity's ability to continue as a going concern:
- A brief overview of procedures performed;
 - An indication of the outcome of the auditor's procedures;
 - Aspects of the auditor's response or approach that were most relevant to the events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, including the evaluation of management's plans for future actions; or
 - Key observations with respect to the events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- A85. The amount of detail to be provided in the auditor's report to describe how the auditor evaluated management's assessment of the entity's ability to continue as a going concern is a matter of professional judgement. When considering the amount of detail to provide in the auditor's report, the auditor may consider the following factors:
- The nature and extent of audit procedures performed to evaluate management's assessment to conclude that no material uncertainty exists.
 - The level of subjectivity, complexity and estimation uncertainty involved in management's assessment.
- A86. In order for intended users to understand the significance of the description in the context of the audit of the financial statements as a whole, care may be necessary so that language used in the description of how the auditor evaluated management's assessment of the entity's ability to continue as a going concern:
- Relates the description directly to the specific circumstances of the entity, while avoiding generic or standardized language.
 - Takes into account how the events or conditions that may cast significant doubt on the entity's ability to continue as a going concern are addressed in the related disclosure(s) in the financial statements.
 - Does not contain or imply discrete opinions on separate elements of the financial

statements.

- When applicable, does not obscure that a material uncertainty exists.

A87. The nature and extent of the information provided by the auditor is intended to be balanced in the context of the responsibilities of the respective parties (i.e., for the auditor to provide useful information in a concise and understandable form, while not inappropriately being the provider of original information about the entity). Original information is any information about the entity that has not otherwise been made publicly available by the entity (e.g., has not been included in the financial statements or other information available at the date of the auditor's report, or addressed in other oral or written communications by management or those charged with governance, such as a preliminary announcement of financial information or investor briefings). Such information is the responsibility of the entity's management and those charged with governance.

A88. It is appropriate for the auditor to seek to avoid inappropriately providing original information about the entity in the description of how the auditor evaluated management's assessment of the entity's ability to continue as a going concern. The description of how the auditor evaluated management's assessment of the entity's ability of going concern is not usually of itself original information about the entity, as it describes the matter in the context of the audit. However, the auditor may consider it necessary to include additional information to explain aspects of the events or conditions that may cast significant doubt on the entity's ability to continue as a going concern to enhance users' understanding. When such information is determined to be necessary by the auditor, the auditor may encourage management or those charged with governance to disclose additional information, rather than the auditor providing original information in the auditor's report. Management or those charged with governance may decide to include new or enhanced disclosures in the financial statements or elsewhere in the annual report relating to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in light of the fact that the auditor will communicate how they were addressed in the auditor's report.

A89. [Amended by the NZAuASB]

NZA89.1 Illustration 2 of the Appendix to this ISA (NZ) is an example of an auditor's report of a FMC reporting entity considered to have a higher level of public accountability when:

- The auditor has obtained sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern basis of accounting;
- The auditor has concluded that no material uncertainty exists; and
- The financial statements adequately disclose the significant judgements made by management in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Use of the Going Concern Basis of Accounting Is Appropriate – A Material Uncertainty Exists
(Ref: Para. 35–36)

A90. The identification of a material uncertainty is a matter that is important to intended users' understanding of the financial statements. The use of a separate section with a heading that includes reference to the fact that a material uncertainty exists alerts intended users to this circumstance.

Adequate Disclosure of a Material Uncertainty Is Made in the Financial Statements (Ref: Para. 35)

A91. [Amended by the NZAuASB]

- NZA91.1 Illustrations 3 and 4 of the Appendix to this ISA (NZ) are examples of an auditor's report of an entity other than a FMC reporting entity considered to have a higher level of public accountability and a FMC reporting entity considered to have a higher level of public accountability, respectively, when the auditor has obtained sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern basis of accounting but a material uncertainty exists and disclosure is adequate in the financial statements.

Adequate Disclosure of a Material Uncertainty Is Not Made in the Financial Statements (Ref: Para. 36)

A92. [Amended by the NZAuASB]

- NZA92.1 Illustrations 5 and 6 of the Appendix to this ISA (NZ) are examples of auditor's reports for a FMC reporting entity considered to have a higher level of public accountability and an entity other than a FMC reporting entity considered to have a higher level of public accountability containing qualified and adverse opinions, respectively, when the auditor has obtained sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern basis of accounting but adequate disclosure of a material uncertainty is not made in the financial statements.

Considerations When the Auditor Disclaims an Opinion on the Financial Statements (Ref: Para. 37)

- A93. In situations involving multiple uncertainties that are significant to the financial statements as a whole, the auditor may consider it appropriate, in extremely rare circumstances, to express a disclaimer of opinion. ISA (NZ) 705 (Revised) provides guidance on this issue.⁴²
- A94. Paragraph 37 prohibits including separate sections on Going Concern or Material Uncertainty Related to Going Concern in the auditor's report when the auditor disclaims an opinion on the financial statements, unless the auditor is otherwise required by law or regulation, as this would be inconsistent with the disclaimer of opinion on the financial statements as a whole and may suggest that the financial statements as a whole are more credible in relation to those matters. When the auditor disclaims an opinion, ISA (NZ) 705 (Revised)⁴³ requires the auditor to state in the Basis for Disclaimer of Opinion section of the auditor's report that the auditor is unable to conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements and whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Providing such a statement in the Basis for Disclaimer of Opinion section of the auditor's report provides useful information to users that may guard against inappropriate reliance on the financial statements.

⁴² ISA (NZ) 705 (Revised), paragraph 10

⁴³ ISA (NZ) 705 (Revised), paragraph 19

Use of Going Concern Basis of Accounting is Inappropriate (Ref: Para. 38)

- A95. If the financial statements have been prepared using the going concern basis of accounting but, in the auditor's professional judgement, management's use of the going concern basis of accounting in the preparation of the financial statements is inappropriate, the requirement in paragraph 38 for the auditor to express an adverse opinion applies regardless of whether or not the financial statements include disclosure of the inappropriateness of management's use of the going concern basis of accounting.
- A96. When the use of the going concern basis of accounting is not appropriate in the circumstances, management may be required, or may elect, to prepare the financial statements on another basis (e.g., liquidation basis). The auditor may be able to perform an audit of those financial statements provided that the auditor determines that the other basis of accounting is acceptable in the circumstances. The auditor may be able to express an unmodified opinion on those financial statements, provided there is adequate disclosure therein about the basis of accounting on which the financial statements are prepared, but may consider it appropriate or necessary to include an Emphasis of Matter paragraph in accordance with ISA (NZ) 706 (Revised)⁴⁴ in the auditor's report to draw the intended user's attention to that alternative basis of accounting and the reasons for its use.

Written Representations (Ref: Para. 39–40)

A97. [Amended by the NZAuASB]

- NZA97.1 The auditor may consider it appropriate to obtain specific written representations in addition to those required in paragraphs 39 and 40. For example, if the auditor obtains written confirmation as described in paragraph A63 from a related party, including the entity's owner-manager, the auditor may still request written representations from those charged with governance as to the validity of the written confirmation.

Communication with Those Charged with Governance (Ref: Para. 41–42)

- A98. ISA (NZ) 260 (Revised)⁴⁵ explains that timely communication throughout the audit contributes to the achievement of robust two-way dialogue between those charged with governance and the auditor. The appropriate timing for communications will vary with the circumstances of the engagement, including the significance and nature of the matter, and the action expected to be taken by those charged with governance.

⁴⁴ ISA (NZ) 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*

⁴⁵ ISA (NZ) 260 (Revised), paragraph A49

Example:

When events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern, prompt communication with those charged with governance may provide them with an opportunity to provide further clarification where necessary. This also enables those charged with governance to consider whether new or enhanced disclosures may be necessary (e.g., in relation to the mitigating factors in management's plans for future actions that are of significance to overcoming the adverse effects of the events or conditions).

A99. The auditor's understanding of how those charged with governance exercise oversight over management's assessment of the entity's ability to continue as a going concern required by paragraph 12(f), may also provide a useful basis to promote effective two-way communication between the auditor and those charged with governance.

A100. Communication with those charged with governance about the auditor's evaluation of management's assessment of the entity's ability to continue as a going concern provides an opportunity for those charged with governance to understand the auditor's work that forms the basis for the auditor's conclusions, and where applicable, the implications for the auditor's report. Examples of matters the auditor may communicate with those charged with governance include:

Examples:

- The auditor's views about the appropriateness of the disclosures in the financial statements in view of the recognition, measurement and presentation requirements of the applicable financial reporting framework.
- Whether management has applied appropriate specialised skills or knowledge or engaged appropriate experts in making its assessment of the entity's ability to continue as a going concern.
- Whether the method used by management to assess the entity's ability to continue as a going concern is appropriate in the context of the nature, conditions and circumstances of the entity or the requirements of the applicable financial reporting framework.
- The auditor's views about the reasonableness of assumptions on which management's assessment is based and the degree of subjectivity involved in the development of the assumptions.
- Whether assumptions are consistent with those used for other areas of the entity's business activities and whether management has considered alternative assumptions.
- Indicators of possible management bias in management's judgements and assumptions used in its assessment of the entity's ability to continue as a going concern.
- Significant deficiencies in internal control related to management's assessment of going concern (also see paragraphs A30, A32 and A35).

A101. [Amended by the NZAuASB]

NZA101.1 In the case of an entity other than a FMC reporting entity considered to have a higher level of public accountability, in addition to the required statements to be provided in the auditor's report, when appropriate, the auditor may also communicate with those charged with governance additional matters, for example, describing how the auditor evaluated management's assessment of the entity's ability to continue as a going concern.

Reporting to an Appropriate Authority Outside of the Entity (Ref: Para. 43)

A102. When the auditor considers including a separate section with a heading "Material Uncertainty Related to Going Concern" in the auditor's report, or issuing a modified opinion in respect of going concern matters, the auditor may be required by law, regulation or relevant ethical requirements to communicate these matters. The reporting may be to an applicable regulatory, enforcement, supervisory or other appropriate authority outside of the entity. In addition, the auditor may be required by law, regulation or relevant ethical requirements to consider the timing of such reporting prior to the issuance of the auditor's report.

Example:

In some jurisdictions, statutory requirements exist that provide early warning procedures for the auditor to report to a supervisory authority when a material uncertainty exists to enable an appropriate authority outside of the entity to investigate the matter and take action. The early warning procedures may include reporting to a supervisory authority at the point in time when the auditor identified a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

A103. Law, regulation or relevant ethical requirements may not include requirements for the auditor to report to an appropriate authority outside the entity as described in paragraph A102. Nevertheless, law, regulation or relevant ethical requirements⁴⁶ may provide the auditor with the right to report the matter to an appropriate authority outside the entity, unless disclosure of the information is precluded by the auditor's duty of confidentiality under law, regulation or relevant ethical requirements. In such circumstances, the auditor may also decide to discuss the matter with those charged with governance.

⁴⁶ For example, paragraph R114.3(a) of Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) may permit the disclosure of confidential information when there is a legal or professional duty or right to disclose. Paragraph 114.3 A1(b)(iv) of PES 1 explains that there is a professional duty or right to disclose such information to comply with technical and professional standards.

Examples:

- When auditing the financial statements of a financial institution, the auditor may have the right under law or regulation to discuss with a supervisory authority when a material uncertainty exists.
- Relevant ethical requirements may require the auditor to consider whether further action is needed in the public interest. Such actions may include reporting the matter to an appropriate authority outside of the entity even when there is no legal or regulatory requirement to do so.⁴⁷

A104. Factors the auditor may consider in determining whether it is appropriate to report the matter to an appropriate authority outside the entity, may include:

- Any views expressed by the regulatory, enforcement, supervisory or other appropriate authority outside of the entity.
- Whether reporting the matter would be in the public interest.
- The adequacy and timeliness of actions by management and, where appropriate those charged with governance, to address or mitigate the situation.

A105. Reporting going concern matters to an appropriate authority outside of the entity may involve complex considerations and professional judgements. In those circumstances, the auditor may consider consulting internally (e.g., within the firm or a network firm) or on a confidential basis with a regulator or professional body (unless doing so is prohibited by law or regulation or would breach the duty of confidentiality). The auditor may also consider obtaining legal advice to understand the auditor's options and the professional or legal implications of taking any particular course of action.

⁴⁷ See, for example, paragraphs R360.19-R360.26 of PES 1.

Appendix

(Ref: Para. A78, NZA81.1, NZA89.1, NZA91.1–NZA92.1)

Illustrations of Independent Auditor's Reports Related to Going Concern

- Illustration 1: An auditor's report of an entity other than a FMC reporting entity considered to have a higher level of public accountability containing an unmodified opinion when the auditor has concluded that no material uncertainty exists.
- Illustration 2: An auditor's report of a FMC reporting entity considered to have a higher level of public accountability entity containing an unmodified opinion when the auditor has concluded that no material uncertainty exists and disclosure in the financial statements about the significant judgements made by management in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as going concern is adequate.
- Illustration 3: An auditor's report of an entity other than a FMC reporting entity considered to have a higher level of public accountability containing an unmodified opinion when the auditor has concluded that a material uncertainty exists and disclosure in the financial statements is adequate.
- Illustration 4: An auditor's report of a FMC reporting entity considered to have a higher level of public accountability containing an unmodified opinion when the auditor has concluded that a material uncertainty exists and disclosure in the financial statements is adequate.
- Illustration 5: An auditor's report of a FMC reporting entity considered to have a higher level of public accountability containing a qualified opinion when the auditor has concluded that a material uncertainty exists and the financial statements are materially misstated due to inadequate disclosure.
- Illustration 6: An auditor's report of an entity other than a FMC reporting entity considered to have a higher level of public accountability containing an adverse opinion when the auditor has concluded that a material uncertainty exists and the required disclosures relating to the material uncertainty are omitted in the financial statements.

Illustration 1 – An Auditor’s Report of an Entity Other Than a FMC Reporting Entity Considered to have a Higher Level of Public Accountability Containing an Unmodified Opinion When No Material Uncertainty Exists

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of an entity other than a FMC reporting entity considered to have a higher level of public accountability using a fair presentation framework. The audit is not a group audit (i.e., ISA (NZ) 600 (Revised)⁴⁸ does not apply).
- The financial statements are prepared by management of the entity in accordance with New Zealand equivalents to IFRS Accounting Standards (a general purpose framework).
- The terms of the audit engagement reflect the description of the responsibilities of those charged with governance the financial statements in ISA (NZ) 210.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit comprise Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA (NZ) 701.
- The auditor has obtained all of the other information prior to the date of the auditor’s report and has not yet identified a material misstatement of the other information.
- In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.

⁴⁸ ISA (NZ) 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Financial Statements⁴⁹

Opinion

We have audited the financial statements of ABC Company (the Company), which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, (*or give a true and fair view of*) the financial position of the Company as at December 31, 20X1, and (*of*) its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and we have fulfilled our other ethical responsibilities in accordance with Professional and Ethical Standard 1. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

Going Concern

No Material Uncertainty Related to Going Concern⁵⁰

In the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we have concluded that management's-the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Company's ability to continue as a going concern.

Other Information [or another title if appropriate such as "Information Other than the Financial Statements and Auditor's Report Thereon"]

⁴⁹ The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

⁵⁰ ~~This additional sub-title may be useful to enhance intended users' understanding about the nature of the matters addressed in the Going Concern section of the auditor's report.~~

[Reporting in accordance with the reporting requirements in ISA (NZ) 720 (Revised) – see Illustration 1 in Appendix 2 of ISA (NZ) 720 (Revised).]

Directors’ Responsibilities for the Financial Statements⁵¹

[Reporting in accordance with ISA (NZ) 700 (Revised) – see Illustration 1 in ISA (NZ) 700 (Revised).⁵²]

Auditor’s Responsibilities for the Audit of the Financial Statements

[Reporting in accordance with ISA (NZ) 700 (Revised) – see Illustration 1 in ISA (NZ) 700 (Revised).]

Report on Other Legal and Regulatory Requirements

[Reporting in accordance with ISA (NZ) 700 (Revised) – see Illustration 1 in ISA (NZ) 700 (Revised).]

[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

[Auditor Address]

[Date]

⁵¹ Throughout these illustrative auditor’s reports, the term directors may need to be replaced by another term that is appropriate in the context of the legal framework for the entity.

⁵² Paragraphs 34 and 39 of ISA (NZ) 700 (Revised) require wording to be included in the auditor’s report for all entities in relation to going concern to describe the respective responsibilities of those responsible for the financial statements and the auditor in relation to going concern.

Illustration 2 – An Auditor’s Report of a FMC reporting entity considered to have a higher level of public accountability Containing an Unmodified Opinion When No Material Uncertainty Exists and Disclosure in the Financial Statements About the Significant Judgements Made by Management in Concluding That There is No Material Uncertainty Is Adequate

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of a FMC reporting entity considered to have a higher level of public accountability using a fair presentation framework. The audit is not a group audit (i.e., ISA (NZ) 600 (Revised) does not apply).
- The financial statements are prepared by management of the entity in accordance with New Zealand equivalents to IFRS Accounting Standards (a general purpose framework).
- The terms of the audit engagement reflect the description of the responsibilities of those charged with governance for the financial statements in ISA (NZ) 210.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit comprise Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist.
- Management has disclosed information about significant judgements made in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern and the disclosures are adequate.
- The auditor has chosen to supplement the required statements in accordance with ISA (NZ) 570 ~~(Revised 2024)~~ by referencing to the sections describing the respective responsibilities of those charged with governance and of the auditor in relation to going concern.
- Key audit matters have been communicated in accordance with ISA (NZ) 701.
- The auditor has obtained all of the other information prior to the date of the auditor’s report and has not yet identified a material misstatement of the other information.
- In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Financial Statements⁵³

Opinion

We have audited the financial statements of ABC Company (the Company), which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, (*or give a true and fair view of*) the financial position of the Company as at December 31, 20X1, and (*of*) its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to IFRS Accounting Standards

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, as applicable to audits of financial statements of public interest entities, and we have fulfilled our other ethical responsibilities in accordance with Professional and Ethical Standard 1. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

Going Concern

~~No Material Uncertainty Related to Going Concern⁵⁴~~

In the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we have concluded that ~~management's~~ the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

We draw attention to Note X in the financial statements, which describes the uncertainties faced by the Company, the significant judgements made by ~~management~~ the directors in assessing the entity's ability to continue as a going concern and the range of mitigating actions that have been deployed to address the effects on the Company's business activities.

⁵³ The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

⁵⁴ ~~This additional sub-title may be useful to enhance intended users' understanding about the nature of the matters addressed in the Going Concern section of the auditor's report.~~

[Description of how the auditor evaluated management's assessment of the entity's ability to continue as a going concern in accordance with ISA (NZ) 570-~~(Revised 2024)~~.]

Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Company's ability to continue as a going concern. Our responsibilities and the directors' responsibilities with respect to going concern are described in the relevant sections of this report.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the significant judgements made by management in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern referred to in the *Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

[Description of each key audit matter in accordance with ISA (NZ) 701.]

Other Information [or another title if appropriate such as "Information Other than the Financial Statements and Auditor's Report Thereon"]

[Reporting in accordance with the reporting requirements in ISA (NZ) 720 (Revised) – see Illustration 1 in Appendix 2 of ISA (NZ) 720 (Revised).]

Directors' Responsibilities for the Financial Statements⁵⁵

[Reporting in accordance with ISA (NZ) 700 (Revised) – see Illustration 1 in ISA (NZ) 700 (Revised).⁵⁶]

Auditor's Responsibilities for the Audit of the Financial Statements

[Reporting in accordance with ISA (NZ) 700 (Revised) – see Illustration 1 in ISA (NZ) 700 (Revised).]

Report on Other Legal and Regulatory Requirements

[Reporting in accordance with ISA (NZ) 700 (Revised) – see Illustration 1 in ISA (NZ) 700 (Revised).]

The engagement partner on the audit resulting in this independent auditor's report is [name].

⁵⁵ Or other terms that are appropriate in the context of the legal framework for the entity.

⁵⁶ Paragraphs 34 and 39 of ISA (NZ) 700 (Revised) require wording to be included in the auditor's report for all entities in relation to going concern to describe the respective responsibilities of those responsible for the financial statements and the auditor in relation to going concern.

[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

[Auditor Address]

[Date]

Illustration 3 – An Auditor’s Report of an Entity Other Than a FMC reporting entity considered to have a higher level of public accountability Containing an Unmodified Opinion When a Material Uncertainty Exists and Disclosure in the Financial Statements Is Adequate

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of an entity other than a FMC reporting entity considered to have a higher level of public accountability using a fair presentation framework. The audit is not a group audit (i.e., ISA (NZ) 600 (Revised) does not apply).
- The financial statements are prepared by management of the entity in accordance with New Zealand equivalents to IFRS Accounting Standards (a general purpose framework).
- The terms of the audit engagement reflect the description of the responsibilities of those charged with governance for the financial statements in ISA (NZ) 210.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit comprise Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists. The disclosure of the material uncertainty in the financial statements is adequate.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA (NZ) 701.
- The auditor has obtained all of the other information prior to the date of the auditor’s report and has not yet identified a material misstatement of the other information.
- In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Financial Statements⁵⁷

Opinion

We have audited the financial statements of ABC Company (the Company), which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, (*or give a true and fair view of*) the financial position of the Company as at December 31, 20X1, and (*of*) its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and we have fulfilled our other ethical responsibilities in accordance with Professional and Ethical Standard 1. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

Material Uncertainty Related to Going Concern

We draw attention to Note X in the financial statements, which indicates that the Company incurred a net loss of ZZZ during the year ended December 31, 20X1 and, as of that date, the Company's current liabilities exceeded its total assets by YYY. As stated in Note X, these events or conditions, along with other matters as set forth in Note X, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

In the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we have concluded that ~~managements'~~ the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Company's ability to continue as a going concern.

⁵⁷ The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

Other Information [or another title if appropriate such as “Information Other than the Financial Statements and Auditor’s Report Thereon”]

[Reporting in accordance with the reporting requirements in ISA (NZ) 720 (Revised) – see Illustration 1 in Appendix 2 of ISA (NZ) 720 (Revised).]

Directors’ Responsibilities for the Financial Statements⁵⁸

[Reporting in accordance with ISA (NZ) 700 (Revised) – see Illustration 1 in ISA (NZ) 700 (Revised).⁵⁹]

Auditor’s Responsibilities for the Audit of the Financial Statements

[Reporting in accordance with ISA (NZ) 700 (Revised) – see Illustration 1 in ISA (NZ) 700 (Revised).]

Report on Other Legal and Regulatory Requirements

[Reporting in accordance with ISA (NZ) 700 (Revised) – see Illustration 1 in ISA (NZ) 700 (Revised).]

[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

[Auditor Address]

[Date]

⁵⁸ Or other terms that are appropriate in the context of the legal framework for the entity.

⁵⁹ Paragraphs 34 and 39 of ISA (NZ) 700 (Revised) require wording to be included in the auditor’s report for all entities in relation to going concern to describe the respective responsibilities of those responsible for the financial statements and the auditor in relation to going concern.

Illustration 4 – An Auditor’s Report of a FMC reporting entity considered to have a higher level of public accountability Containing an Unmodified Opinion When a Material Uncertainty Exists and Disclosure in the Financial Statements Is Adequate

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of a FMC reporting entity considered to have a higher level of public accountability using a fair presentation framework. The audit is not a group audit (i.e., ISA (NZ) 600 (Revised) does not apply).
- The financial statements are prepared by management of the entity in accordance with New Zealand equivalents to IFRS Accounting Standards (a general purpose framework).
- The terms of the audit engagement reflect the description of the responsibilities of those charged with governance for the financial statements in ISA (NZ) 210.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit comprise Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists. The disclosure of the material uncertainty in the financial statements is adequate.
- Key audit matters have been communicated in accordance with ISA (NZ) 701.
- The auditor has obtained all of the other information prior to the date of the auditor’s report and has not yet identified a material misstatement of the other information.
- In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Financial Statements⁶⁰

Opinion

We have audited the financial statements of ABC Company (the Company), which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, (*or give a true and fair view of*) the financial position of the Company as at December 31, 20X1, and (*of*) its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, as applicable to audits of financial statements of public interest entities, and we have fulfilled our other ethical responsibilities in accordance with Professional and Ethical Standard 1. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

Material Uncertainty Related to Going Concern

We draw attention to Note X in the financial statements, which indicates that the Company incurred a net loss of ZZZ during the year ended December 31, 20X1 and, as of that date, the Company's current liabilities exceeded its total assets by YYY.

[Description of how the auditor evaluated management's assessment of the entity's ability to continue as a going concern in accordance with ISA (NZ) 570-~~(Revised 2024)~~.]

As stated in Note X, these events or conditions, along with other matters as set forth in Note X, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

In the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we have concluded that managements' the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

⁶⁰ The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Company's ability to continue as a going concern.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

[Description of each key audit matter in accordance with ISA (NZ) 701.]

Other Information [or another title if appropriate such as "Information Other than the Financial Statements and Auditor's Report Thereon"]

[Reporting in accordance with the reporting requirements in ISA (NZ) 720 (Revised) – see Illustration 1 in Appendix 2 of ISA (NZ) 720 (Revised).]

Directors' Responsibilities for the Financial Statements⁶¹

[Reporting in accordance with ISA (NZ) 700 (Revised) – see Illustration 1 in ISA (NZ) 700 (Revised).⁶²]

Auditor's Responsibilities for the Audit of the Financial Statements

[Reporting in accordance with ISA (NZ) 700 (Revised) – see Illustration 1 in ISA (NZ) 700 (Revised).]

Report on Other Legal and Regulatory Requirements

[Reporting in accordance with ISA (NZ) 700 (Revised) – see Illustration 1 in ISA (NZ) 700 (Revised).]

The engagement partner on the audit resulting in this independent auditor's report is *[name]*.

[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

[Auditor Address]

[Date]

⁶¹ Or other terms that are appropriate in the context of the legal framework for the entity.

⁶² Paragraphs 34 and 39 of ISA (NZ) 700 (Revised) require wording to be included in the auditor's report for all entities in relation to going concern to describe the respective responsibilities of those responsible for the financial statements and the auditor in relation to going concern.

Illustration 5 – An Auditor’s Report of a FMC reporting entity considered to have a higher level of public accountability Containing a Qualified Opinion When a Material Uncertainty Exists and the Financial Statements Are Materially Misstated Due to Inadequate Disclosure

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of a FMC reporting entity considered to have a higher level of public accountability using a fair presentation framework. The audit is not a group audit (i.e., ISA (NZ) 600 (Revised) does not apply).
- The financial statements are prepared by management of the entity in accordance with New Zealand equivalents to IFRS Accounting Standards (a general purpose framework).
- The terms of the audit engagement reflect the description of the responsibilities of those charged with governance for the financial statements in ISA (NZ) 210.
- The relevant ethical requirements that apply to the audit comprise Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand).
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists. Note Y to the financial statements discusses the magnitude of financing arrangements, the expiration and the total financing arrangements; however the financial statements do not include discussion on the impact or the availability of refinancing or characterize this situation as a material uncertainty.
- The financial statements are materially misstated due to the inadequate disclosure of the material uncertainty. A qualified opinion is being expressed because the auditor concluded that the effects on the financial statements of this inadequate disclosure are material but not pervasive to the financial statements.
- Key audit matters have been communicated in accordance with ISA (NZ) 701.
- The auditor has obtained all of the other information prior to the date of the auditor’s report and the matter giving rise to the qualified opinion on the financial statements also affects the other information.
- In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Financial Statements⁶³

Qualified Opinion

We have audited the financial statements of ABC Company (the Company), which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, except for the incomplete disclosure of the information referred to in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects (*or give a true and fair view of*), the financial position of the Company as at December 31, 20X1, and (*of*) its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to IFRS Accounting Standards.

Basis for Qualified Opinion

As discussed in Note Y, the Company's financing arrangements expire and amounts outstanding are payable on March 19, 20X2. The Company has been unable to conclude re-negotiations or obtain replacement financing. This situation indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not adequately disclose this matter.

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, as applicable to audits of financial statements of public interest entities, and we have fulfilled our other ethical responsibilities in accordance with Professional and Ethical Standard 1. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

Material Uncertainty Related to Going Concern

As described in the *Basis for Qualified Opinion* section of our report, a material uncertainty exists that has not been adequately disclosed in the financial statements.

In the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we have concluded that ~~managements'~~ the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Company's ability to continue as a going concern.

⁶³ The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

Other Information [or another title if appropriate such as “Information Other than the Financial Statements and Auditor’s Report Thereon”]

[Reporting in accordance with the reporting requirements in ISA (NZ) 720 (Revised) – see Illustration 6 in Appendix 2 of ISA (NZ) 720 (Revised). The last paragraph of the other information section in Illustration 6 would be customized to describe the specific matter giving rise to the qualified opinion that also affects the other information.]

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section and in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

[Description of each key audit matter in accordance with ISA (NZ) 701.]

Directors’ Responsibilities for the Financial Statements⁶⁴

[Reporting in accordance with ISA (NZ) 700 (Revised) – see Illustration 1 in ISA (NZ) 700 (Revised).⁶⁵]

Auditor’s Responsibilities for the Audit of the Financial Statements

[Reporting in accordance with ISA (NZ) 700 (Revised) – see Illustration 1 in ISA (NZ) 700 (Revised).]

Report on Other Legal and Regulatory Requirements

[Reporting in accordance with ISA (NZ) 700 (Revised) – see Illustration 1 in ISA (NZ) 700 (Revised).]

The engagement partner on the audit resulting in this independent auditor’s report is [name].

[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

[Auditor Address]

[Date]

⁶⁴ Or other terms that are appropriate in the context of the legal framework for the entity

⁶⁵ Paragraphs 34 and 39 of ISA (NZ) 700 (Revised) require wording to be included in the auditor’s report for all entities in relation to going concern to describe the respective responsibilities of those responsible for the financial statements and the auditor in relation to going concern.

Illustration 6 – An Auditor’s Report of an Entity Other Than a FMC Reporting Entity Considered to have a Higher Level of Public Accountability Containing an Adverse Opinion When a Material Uncertainty Exists and Is Not Disclosed in the Financial Statements

For purposes of the illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of an entity other than a FMC reporting entity considered to have a higher level of public accountability using a fair presentation framework. The audit is not a group audit (i.e., ISA (NZ) 600 (Revised) does not apply).
- The financial statements are prepared by management of the entity in accordance with New Zealand equivalents to IFRS Accounting Standards (a general purpose framework).
- The terms of the audit engagement reflect the description of the responsibilities of those charged with governance for the financial statements in ISA (NZ) 210.
- The relevant ethical requirements that apply to the audit comprise Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand).
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists. The financial statements omit the required disclosures relating to the material uncertainty. An adverse opinion is being expressed because the effects on the financial statements of such omission are material and pervasive.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA (NZ) 701.
- The auditor has obtained all of the other information prior to the date of the auditor’s report and the matter giving rise to the adverse opinion on the financial statements also affects the other information.
- Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.
- In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Financial Statements⁶⁶

Adverse Opinion

We have audited the financial statements of ABC Company (the Company), which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, because of the significance of the omission of the information described in the *Basis for Adverse Opinion* section of our report, the accompanying financial statements do not present fairly (*or do not give a true and fair view of*), the financial position of the Company as at December 31, 20X1, and of its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to IFRS Accounting Standards.

Basis for Adverse Opinion

The Company's financing arrangements expired and the amount outstanding was payable on December 31, 20X1. The Company has been unable to conclude re-negotiations or obtain replacement financing. This situation indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not adequately disclose this fact.

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and we have fulfilled our other ethical responsibilities in accordance with Professional and Ethical Standard 1. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

Material Uncertainty Related to Going Concern

As described in the *Basis for Adverse Opinion* section of our report, a material uncertainty exists that has not been disclosed in the financial statements.

In the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we have concluded that managements' the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Company's ability to continue as a going concern.

⁶⁶ The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

Other Information [or another title if appropriate such as “Information Other than the Financial Statements and Auditor’s Report Thereon”]

[Reporting in accordance with the reporting requirements in ISA (NZ) 720 (Revised) – see Illustration 7 in Appendix 2 of ISA (NZ) 720 (Revised). The last paragraph of the other information section in Illustration 7 would be customized to describe the specific matter giving rise to the adverse opinion that also affects the other information.]

Directors’ Responsibilities for the Financial Statements⁶⁷

[Reporting in accordance with ISA (NZ) 700 (Revised) – see Illustration 1 in ISA (NZ) 700 (Revised).⁶⁸]

Auditor’s Responsibilities for the Audit of the Financial Statements

[Reporting in accordance with ISA (NZ) 700 (Revised) – see Illustration 1 in ISA (NZ) 700 (Revised).]

Report on Other Legal and Regulatory Requirements

[Reporting in accordance with ISA (NZ) 700 (Revised) – see Illustration 1 in ISA (NZ) 700 (Revised).]

[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

[Auditor Address]

[Date]

⁶⁷ Or other terms that are appropriate in the context of the legal framework for the entity.

⁶⁸ Paragraphs 34 and 39 of ISA (NZ) 700 (Revised) require wording to be included in the auditor’s report for all entities in relation to going concern to describe the respective responsibilities of those responsible for the financial statements and the auditor in relation to going concern.

ACCOMPANYING ATTACHMENT: CONFORMITY TO THE INTERNATIONAL STANDARDS ON AUDITING

This conformity statement is not part of the standard.

Conformity with International Standards on Auditing

This Standard conforms to International Standard on Auditing ISA 570 (Revised 2024) *Going Concern*, issued by the International Auditing and Assurance Standards Board (IAASB).

Paragraphs that have been amended or added to this ISA (NZ) (and do not appear in the text of the equivalent ISA) are identified with the prefix “NZ”.

The following paragraphs have been added to ISA (NZ) 570:

- For the purposes of this ISA (NZ), a reference to “management” is taken to mean “management, and where appropriate, those charged with governance”. (Ref: Para NZ1.2)
- In New Zealand, those charged with governance generally have responsibility for ensuring an entity meets its legal obligations in relation to the preparation of the financial statements. In these cases the process of financial reporting is usually delegated to management, but the responsibility for such matters remains with those charged with governance. In applying this standard the auditor shall apply professional judgement, using knowledge of the legal requirements and corporate governance practices of New Zealand as well as the particular engagement circumstances, to determine whether the requirements of this standard apply to management or those charged with governance or both. (Ref: Para. NZ1.3)

The following requirements have been amended in ISA (NZ) 570:

- The ISAs require the auditor to obtain written representations from management. The ISAs (NZ) require written representations from those charged with governance. (Ref: Para NZ39.1)
- References in the auditor’s report to management’s use of the going concern basis of accounting in the preparation of the financial statements has been changed to those charged with governance’s use of the going concern basis of accounting in the preparation of the financial statements. (Ref: Para NZ34(a)(i).1, NZ35(d)(ii).1, NZ36(c)(ii)a.1)
- This ISA (NZ) incorporates terminology and definitions used in New Zealand. References to “publicly traded entities” have been amended to “FMC reporting entities considered to have a higher level of public accountability”. Paragraphs where references to “publicly traded entities” have been amended to refer to FMC reporting entities considered to have a higher level of public accountability have been labelled as NZ paragraphs. (Ref: Para NZ34(b).1, NZ35(b).1)

Compliance with this ISA (NZ) enables compliance with ISA 570 (Revised 2024).

Comparison with Australian Auditing Standards

In Australia the Australian Auditing and Assurance Standards Board (AUASB) has issued Australian Auditing Standard ASA 570 *Going Concern*.

ASA 570 conforms to ISA 570 (Revised 2024). ASA 570 includes Australian specific paragraphs and illustrative reporting examples that reflect the requirements of the Corporations Act 2001. (Aus 3.1 and Appendix 2)

DRAFT

Minimum Legislative Information

(This information is not part of the standard)

This Standard is secondary legislation issued under the authority of the Legislation Act 2019.

Title	International Standard on Auditing (New Zealand) 570 <i>Going Concern</i>
Principal or amendment	Principal
Consolidated version	No
Empowering Act and provisions	This Standard was made under 12(b) of the Financial Reporting Act 2013 .
Replacement empowering Act and provision	Not applicable.
Maker name	New Zealand Auditing and Assurance Standards Board of the External Reporting Board
Administering agency	External Reporting Board
Date made	24 October 2025
Publication date	30 October 2025
Notification date	30 October 2025
Commencement date	This standard takes effect on 27 November 2025.
End date	Not applicable
Consolidation as at date	Not applicable
Related instruments	Not applicable.

Memorandum

Date:	8 October 2025
To:	John Kensington, Chair External Reporting Board
From:	Graeme Pinfold, Chair NZAuASB
Subject:	Certificate Signing Memorandum: ISA (NZ) 570, <i>Going Concern</i>

Introduction

1. In accordance with the protocols established by the XRB Board, the NZAuASB seeks your approval to issue ISA (NZ) 570, *Going Concern*.

Background

2. Corporate failures worldwide raised questions about auditors' responsibilities, while global challenges, including war and pandemic, intensified focus on going concern. These factors heightened stakeholder expectations for a more robust auditing standard and greater transparency in auditors' work related to going concern. In response, the IAASB enhanced and clarified its auditing standard on going concern to ensure it remains fit for purpose in an evolving macroeconomic and geopolitical landscape.
3. The project objectives supporting the public interest included enhancing or clarifying ISA 570 (Revised) to:
 - Promote consistent practice and behaviour and facilitate effective responses to identified risks of material misstatement related to going concern;
 - Strengthen the auditor's evaluation of management's assessment of going concern, including reinforcing the importance, throughout the audit, of the appropriate exercise of professional scepticism; and
 - Enhance transparency with respect to the auditor's responsibilities and work related to going concern where appropriate, including strengthening communications and reporting requirements.
4. The NZAuASB proposes to adopt revised ISA (NZ) 570.

International due process

5. The IAASB issued its exposure draft (ED) of a revised going concern auditing standard in April 2023.
6. The IAASB received 78 responses from a diverse range of stakeholder constituencies, including four Monitoring Group member respondents, regulators and audit oversight authorities, jurisdictional auditing standard setters, accounting firms, public sector organizations, member bodies and other professional organizations, academics, and individuals. No written responses were received from investor constituents. Accordingly,

the going concern task force undertook further outreach with this stakeholder group to supplement the information gathering on the ED.

7. Internationally, there was broad support that the ED was responsive to the public interest. Going concern is an area in which user expectations often exceed the auditor's work effort under the extant standard. However, respondents also expressed the view that broader considerations are also critical to support the public interest including:
 - Coordinated actions from all stakeholders in the financial reporting ecosystem to establish trust and narrow the expectation gap.
 - Improvements to the financial reporting framework for going concern, including enhancements to the requirements for management's disclosures in relation to going concern.
8. The IAASB approved ISA 570 (Revised 2024), subject to PIOB certification, at its December 2024 meeting. at its June 2023 meeting. The final standard was published on 9 April 2025.
9. The NZAuASB believes that the changes made by the IAASB in finalising ISA 570 (Revised 2024) are responsive to the XRB's comments and suggestions.

Domestic due process

10. The XRB issued a NZ wraparound consultation document in May 2023 with submissions due on 31 July 2023. The domestic consultation undertaken concurrently with the consultation on the international proposals questioned the continued appropriateness of the extant NZ compelling reason amendments and application of the proposed differential requirements to FMC reporting entities considered to have a higher level of public accountability.
11. Outreach included a walk-through webcast, virtual feed-back forum and an in person panel discussion event. Three written responses were received on the consultation.
12. Key messages from New Zealand stakeholders about the international proposals included:
 - Support for defining and clarifying specific terms that are used pervasively throughout the proposed standards (e.g., material uncertainty) so that they are clear and understood and to promote consistency in practice, but some further refinement is needed.
 - Support for the enhanced risk assessment process and for strengthening the procedures to enhance the auditor's evaluation of management's assessment. However, further guidance is needed so that the required procedures are responsive to assessed risks and scalable.
 - Support for including more information about going concern in the auditor's report but concern that the proposals may have the unintended consequence of widening the audit expectation gap. Concerns were expressed that including a going concern paragraph in the auditor's report when no material uncertainty exists may be too confirmatory, i.e., it may be misinterpreted as guaranteeing the future viability of the

entity or that readers may not note information that signals an issue with management's going concern assessment.

- A holistic solution is needed from both the accounting and auditing standard setters to ensure the appropriate balance between management and auditor responsibilities is maintained.
13. The outreach undertaken informed the XRB's [submission](#) to the IAASB
 14. New Zealand stakeholders supported retaining existing NZ specific amendments addressing NZ legal and regulatory arrangements, i.e., the responsibility of those charged with governance for the preparation of the financial statements and for providing written representations.
 15. New Zealand stakeholders also agreed that the ED's proposed differential requirements should apply to FMC reporting entities considered to have a higher level of public accountability.

Cost/benefit considerations

16. The revised auditing standard strengthens auditor responsibilities in evaluating management's assessment of going concern, with the objective to improve audit quality. The FMA has placed a strong emphasis on going concern assessments as part of its quality monitoring efforts. In its 2023/24 Audit Quality Monitoring Report, the FMA identified going concern evaluations as one of the key areas where recurring or significant findings were observed across audit files.
17. While some increase in audit cost through the need for more extensive documentation and scrutiny, deeper engagement with management, and potentially more rigorous internal review processes is expected, the benefits include more consistent audit practices and better transparency in financial reporting. These improvements can be expected to enhance investor trust.
18. Accounting standards require management to make an assessment of the entity's ability to continue as a going concern. Management may be able to mitigate some of the potential increase in audit cost by ensuring their going concern assessment is comprehensive and tailored to the entity's going concern risks and operating environment and supported by clear documentation of management's judgements and assumptions.

Timing of adoption and application

19. The following three standards (either issued, approved or approved in principle by the IAASB):
 - revised going concern standard,
 - revised fraud standard,
 - revisions to the listed entity and PIE amendments.

all affect the auditor's report. They therefore have the same effective date. These three standards must be applied as a package due to the potential for confusion for users if auditors' reports for the same or similar periods lack consistency.

20. There will be complexity in drafting legal application dates if three separate pieces of secondary legislation are required to be applied together if applied early.
21. The NZAuASB recommends that early application is not permitted.

Timing of issue and gazetting.

22. The NZAuASB recommends issuing the revised going concern, fraud, and listed entity and PIE standards at the same time. Issuing these standards together will ensure that firms understand that they must be applied at the same time. It will also ensure that we reduce the risk of complexity of application dates.
23. There are a number of conforming and consequential amendments arising from the revised going concern and fraud standards. Along with the amendments from the listed entity and PIE project, the conforming and consequential amendments will change most of the ISAs (NZ), leaving only five of the ISAs (NZ) unchanged.
24. Delaying gazetting and issuing the standards at the same time benefits practitioners and the XRB.
 - The amendments affect all the illustrative reports throughout the suite of ISAs (NZ). Practitioners will be able to update their report templates in one go, incorporating not only the amendments resulting from changes to the auditing standards, but also the amendments that need to be made as a result of NZ IFRS 18¹.
 - Approving but not issuing the revised going concern standard is efficient for the XRB. If the XRB issues and gazettes the revised going concern standard immediately following approval, conforming amendments to the new standard will be needed before it becomes effective as the revised fraud standard and the listed entity and PIE amendments both amend the revised going concern standard.
25. Rather than issuing three amending standards, there is an opportunity to change each ISA (NZ) once, noting that the application dates are the same, thereby simplifying the XRB's secondary legislation. Rather than producing an amending standard that captures the conforming and consequential amendments from the each of the projects, and then compiling the amendments into each principal standard, we propose to gazette refreshed principal standards for each of the ISAs (NZ) that are affected by the various amendments. In effect, we would revoke and replace the majority of our existing ISAs (NZ).
26. This approach will mean that that the XRB's performance measure of issuing the going concern standard by June 2025, as set out in 2024/25 Statement of Performance Expectations will not be achieved.

¹ NZ IFRS 18 *Presentation and Disclosure in Financial Statements*

27. However, the approach to issue the standards will be in line with the proposed performance expectations for the 2025/6 period, which is that we issue New Zealand equivalents to international standards 12 months before the effective date to allow sufficient time for adoption and implementation.
28. The table below shows the proposed timeline.



Harmonisation with Australia

29. At its May 2025 meeting, the AUASB approved for adoption a revised going concern standard with Australian amendments that reflect Australian legislative requirements specific to the Corporations Act 2001. These changes are not relevant in New Zealand.
30. The AUASB also made changes to:
- remove the optional subheading included in the illustrative reports. This change has also been made in New Zealand; and
 - include, as an appendix to the auditing standard, the walk through of the auditor's decision-making process for going concern presented in Appendix 2 of the IAASB's basis for conclusions. In New Zealand the decision-making flowchart is to be published as staff guidance on the XRB website.

Guidance

31. Staff of the assurance and accounting standards teams have been working closely together to develop guidance aimed at those charged with governance and management/preparers of financial statements that reminds them of their responsibilities in relation to going concern.
32. Staff have also prepared two flowcharts to assist auditors. These flowcharts:
- Provide a walkthrough of the auditor's decision-making process for going concern (leveraging from international material); and
 - Link going concern considerations to types of audit opinions.

Privacy

33. The Financial Reporting Act 2013, section 22(2) requires that the External Reporting Board consult with the Privacy Commissioner where an accounting or assurance standard is likely to require the disclosure of personal information. This standard does not require disclosure of personal information, accordingly consultation with the Privacy Commissioner is not required.

Due process

34. The due process followed by the NZAuASB complied with the due process requirements established by the XRB Board and in the NZAuASB's view meets the requirements of section 12(b) of the Financial Reporting Act 2013.

Consistency with XRB Financial Reporting Strategy

35. The adoption of ISA (NZ) 570, *Going Concern*, is consistent with one of the key strategic objectives set by the XRB Board for the NZAuASB to adopt international auditing and assurance standards, as applying in New Zealand unless there are compelling reasons not to.

Other matters

36. There are no other matters relating to the issue of this amending standard that the NZAuASB considers to be pertinent or that should be drawn to your attention.

Recommendation

37. The NZAuASB recommends that you sign the attached certificate of determination and signing memorandum on behalf of the XRB Board.

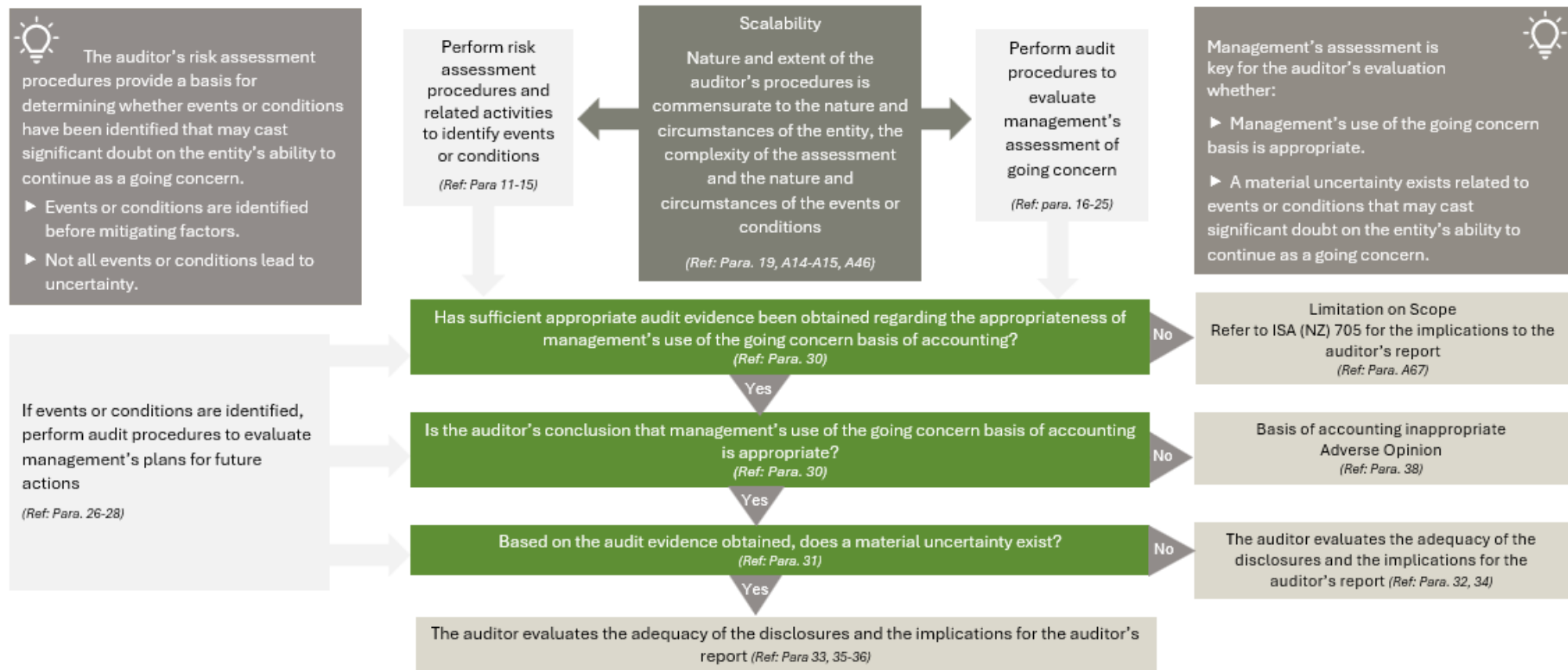
Attachments

- ISA (NZ) 570, *Going Concern*
- Certificate of Determination
- Approval Certificate

Graeme Pinfold

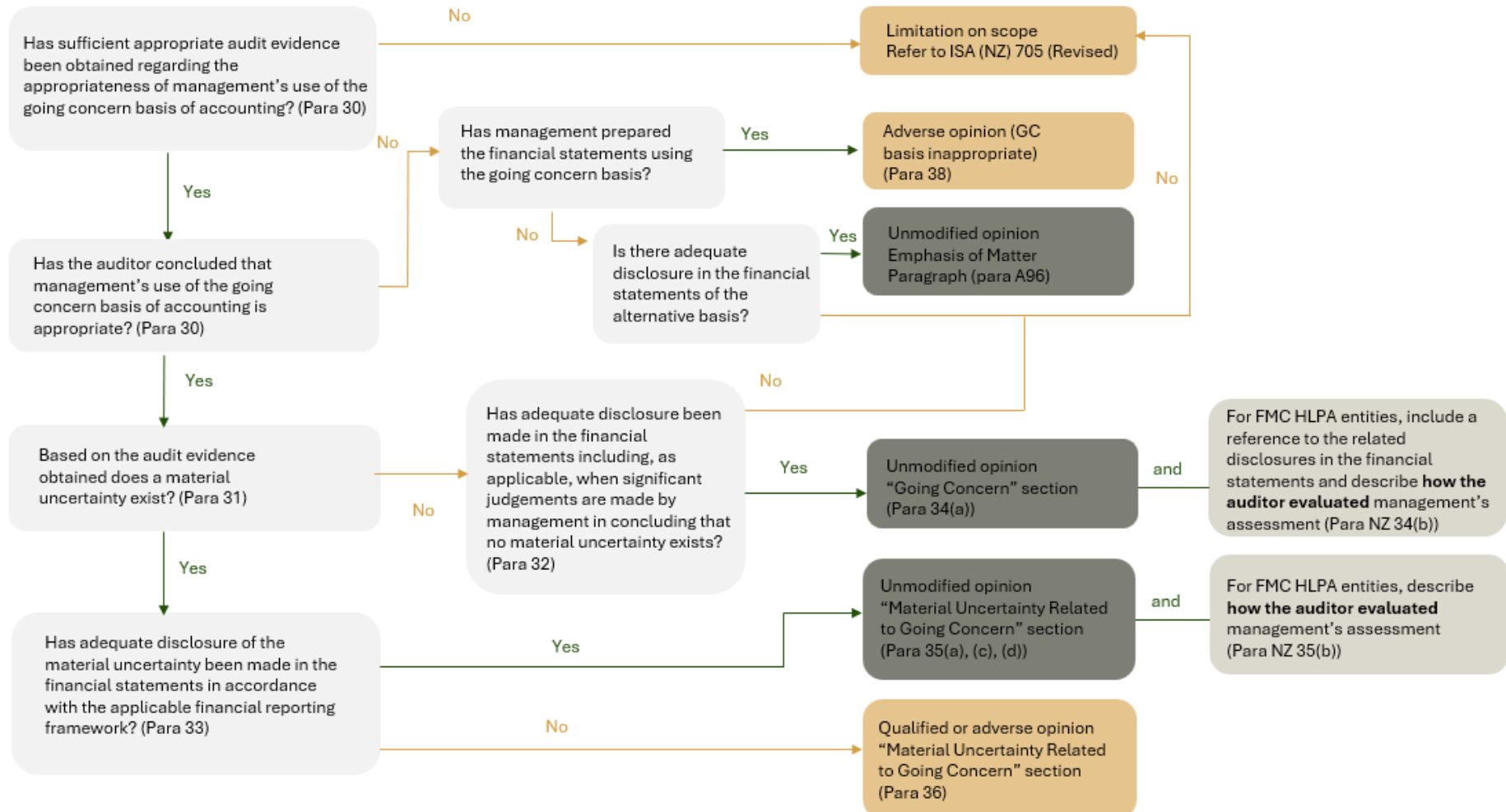
Chair NZAuASB

Walkthrough of the auditor's decision-making process for going concern



Note: This chart depicts a walkthrough of the auditor's decision-making process for going concern, rather than the audit process. The green boxes highlight the auditor's decisions in respect of concluding whether the going concern basis of accounting is appropriate and whether a material uncertainty exists.

Linking going concern considerations and types of audit opinions



Note: Paragraph references in this chart refer to paragraphs in ISA (NZ) 570 *Going Concern*

NZAuASB Board meeting summary paper

Meeting date: 8 October 2025

Subject: **Service Performance Information Consultation**

Date: 23 September 2025

Prepared by: Lisa Thomas and Nimash Bhikha

☒ **Action Required**

☐ **For Information Purposes Only**

Agenda item objectives

1. The objective of this agenda item is to:
 - (a) Consider the feedback received in response to the service performance information consultation
 - (b) Explore next steps.

Background

2. The XRB issued a [consultation paper](#) to confirm our understanding of challenges that Tier 1 and Tier 2 not-for-profit entities, auditors and users are experiencing with service performance information (SPI) and to seek feedback on potential actions to help address those challenges.
3. We held outreach sessions with Tier 1 and Tier 2 not-for-profit entities, funders, regulators and auditors which involved virtual and in-person sessions in June to August 2025. We note that the level of engagement from stakeholders (approximately 20 preparers/funders and 15 auditors) was relatively low compared to expectations. There was minimal feedback received from users however some users responded they would provide feedback through other umbrella organisations (like CA ANZ and CPA Australia). We received 9 [written submissions](#) from 2 academics, 3 preparers, 1 practitioner, CPA Australia, CA ANZ and Charities Services.
4. During this time, the assurance team have been developing staff guidance to support the application of NZ AS 1 (Revised), *The Audit of Service Performance Information*. We have been testing this guidance with various stakeholders, including at the in-person session held with auditors.
5. The NZASB will also meet in October to consider feedback and possible actions to address the challenges. An update will be provided to the XRB board at its October meeting. Assurance staff will attend the NZASB meeting and will consider any assurance implications.

Matters to consider

6. The summary of feedback includes an overview of all matters explored on consultation, more of which relates to the accounting standard. Then we summarise the overall messages received on the question specific to assurance guidance.
7. Relevant feedback that forms the basis of the assurance guidance summary can be found in the “consultation assurance feedback comments” document.

Board members are asked whether they have any **FEEDBACK** on the summary.

8. The summary of feedback also covers what we heard on the draft staff guidance. Staff plan to publish the staff guidance, once all feedback from the assurance roundtable is incorporated. We will consider how to repurpose material developed about “delivering a good”, which focussed on internal controls, to address preparer concerns on what information should be retained to support SPI reported.
9. The NZASB meet on 9 October 2025 (day following the NZAuASB October meeting) to discuss the consultation feedback on the reporting of service performance information. Possible actions being considered, based on the feedback received, include:
 - i. Develop an Exposure Draft with proposed changes to the reporting standard.
 - ii. Bringing in some of the proposed targeted amendments to the reporting standard, but not an authoritative NFP appendix, and performing education in other areas.
 - iii. Make no changes to the reporting standard but focus on developing further guidance instead to explain the existing principles within the standard and let SPI reporting continue to mature.
 - iv. No action at this time.
10. If the NZASB agrees that guidance is a way forward, then we will consider developing joint guidance with the accounting team. This guidance could be based on existing information contained within [EG A10](#), and issued monthly by topic so that it can be referred to more frequently and delivered in smaller “digestible” pieces.
11. The guidance may cover the following areas:

1	Purpose and scope of service performance information
2	Core reporting requirements around service performance information
3	Principles and qualitative characteristics of service performance information
4	Deciding what service performance information to report
5	Linking service performance information to financial information
6	Disclosing service performance information judgements
7	Comparative service performance information
8	Preparing for assurance over service performance information
9	Presentation of service performance information
10	Continuous improvement around service performance reporting

12. Joint guidance could deal with key challenges in interactions between the preparer and auditor such as:
 - (a) Why SPI is not a story telling mechanism but an accountability mechanism.
 - (b) The process of determining appropriate and meaningful measures including governance involvement, materiality considerations, linking to strategic objectives, the pitfalls around reporting useful information outside of the SSP, considerations around user’s needs, and a mix of qualitative and quantitative information.
 - (c) Considerations and importance of data collection, internal controls and the verifiability of information for internal and external decision-making.
 - (d) Key judgements necessary around SPI and how it is measured and disclosed.
 - (e) Usefulness of performing a step-back holistic assessment to ensure SPI information is valuable and useful while also ensuring it is verifiable.

We seek **DIRECTION** from the Board about how to progress, given the feedback from the consultation, with a focus on assurance, while noting the interconnectivity with the discussions at the NZASB that will follow.

Material presented

- Board meeting summary paper
- Summary of SPI feedback
- Consultation assurance feedback comments

Service Performance Information Consultation: Overview of feedback received

1. Below is a summary of feedback from the recent consultation on service performance information (SPI).

Overall key messages

2. Feedback highlighted that reporting and assurance challenges stem from:
 - low maturity around service performance reporting processes and frameworks,
 - limited financial, volunteer and time resources,
 - underdeveloped systems and internal controls around SPI,
 - differing expectations around the nature and role of SPI reporting.
3. We heard that challenges are improving over time, but sometimes entities and auditors still place greater emphasis on financial information and do not focus on SPI until the end of the reporting process. We also heard concerns raised by preparers that auditors often do not understand entities, and their objectives, beyond financial results, which adds to the challenges.
4. We heard that SPI often defaults to quantitative measures, even when qualitative descriptions could be more appropriate and meaningful. There were mixed views around the drivers for this, which ranged from entities not identifying and capturing data to adequately support qualitative measures, to auditors requesting that only quantitative measures that can be verified easily be included in SPI. In many cases, preparers highlighted that information which may be more difficult to verify was moved to areas of the annual report which were not subject to audit.
5. In many workshops, participants raised that SPI could be more valuable if it aligned to funders' information needs. Some preparers believed the SPI had limited use by funders or other stakeholders, who primarily rely on other channels for performance insights. We heard that SPI is sometimes seen as a supplementary information source and, as such, is not given sufficient time or attention by users or entities.
6. Concerns were raised by preparers that SPI reporting is a compliance exercise, diverting limited resources away from service delivery without any improvements in quality or decision-making. These preparers asked us to consider the value of SPI and whether this reporting should be removed, so entities can focus that money on bettering New Zealand.
7. In contrast, some preparers indicated the value of SPI and the ability to report on something other than financially focussed reporting. These entities highlighted their preference for practical, sector-specific guidance and examples, rather than premature and costly changes to reporting requirements.
8. Collaboration, tailored communication, and a shift in mindset from preparers, auditors, funders and other users are considered key to more effective SPI reporting for not-for-profit entities.

Key themes across the areas within our consultation paper

Challenges and possible actions

9. There was agreement that the root causes of the reporting and assurance challenges were due to:
 - a lack of clarity over the purpose of service performance reporting,
 - the maturity of service performance reporting, and
 - verification challenges around qualitative information; including preparers being surprised at what information was needed to verify measures.
10. There were mixed views whether differences between the public and not-for-profit sectors was a direct cause to any of the challenges.
11. Some feedback noted that governance of the entity is not involved in determining what SPI to report, and entities rely upon their auditor to help ensure their reporting is appropriate. Stakeholders noted that, while entities have very limited resources, more governance involvement and commitment of time and resources is needed around reporting SPI, with a focus on identifying the right measures which are useful for internal and external decision-making and developing systems to help capture that information.
12. While this could be a costly exercise, once set up successfully, the preparation of SPI could be incorporated into internal reporting practices, which would enable regular monitoring and easier processes.

Potential amendments to PBE FRS 48 Service Performance Reporting

13. There were mixed views whether the proposed amendments to the reporting standard would be beneficial overall. Auditors supported the proposals, (except for the proposal for an authoritative appendix just for not-for-profit entities) as the proposed amendments would clarify important matters and would help entities with their SPI reporting processes. Many preparers were concerned the proposals may create additional costs and the additional disclosures would be further information that needs to be discussed with auditors. Not-for-profit preparers generally preferred further guidance to help apply the existing reporting principles.
14. There were also strong views that amendments to the reporting standard should only be made where they would directly solve the root cause of the challenges. There were doubts that the proposed amendments would ultimately address the current challenges around the value and usability of SPI.

Potential reporting guidance

15. Some stakeholders noted that the current guidance was clear and useful, while others were unaware that guidance existed. Most supported the need for further reporting guidance around how to identify and choose what information to report, in an efficient manner without creating additional costs. It was noted that entities use external quantitative measures, where possible, as they would be accepted by auditors.
16. There were calls for more examples of exemplar SPI and descriptions of evidence trails to help calibrate expectations around what information could be reported and what evidence should be retained.

Users' considerations

17. Many preparers questioned the value of SPI for users, noting that other forms of reporting around performance already occur through funding arrangements where tailored and timely information can be reported to funders. SPI within annual reports

was considered to be supplementary and duplicative, and less valuable, even if it was independently assured. It was noted by preparers that personal trust and relationships are more important to funders for decision-making, rather than annual external reporting.

18. Other stakeholders, including regulators, noted that the SPI was useful and appropriate in its current state, but standardisation of SPI could potentially raise the general understanding of that information.

Potential assurance guidance

19. There was general agreement that guidance on the areas identified in the consultation (gathering sufficient appropriate evidence, the concept of materiality, assessing internal controls and practical approaches to sampling) would be useful. There was strong support for guidance around obtaining sufficient appropriate evidence particularly for qualitative disclosures and application of the concept of materiality in identifying important measures and tolerance for misstatement.
20. In obtaining sufficient appropriate evidence we heard challenges when sources of information were internally generated or couldn't be traced to financial information. In addition, guidance was sought for when service performance measures could not be verified and how this would impact the audit plan and outcome.
21. Other key themes we heard were:
 - A lack of maturity in assuring SPI. Preparers consider that auditors approach the audit of SPI as they would financial statements, and that they do not obtain the understanding of the entity needed to audit the SPI. Auditors consider that preparers do not place sufficient thought into the preparation of the SPI, and leave it to the end.
 - Auditors reported difficulty applying the wider ISAs (NZ) to the SPI.
 - Difficulty with judgements in determining what is appropriate and meaningful SPI.
 - A need to understand the audit implications when entities change the measures reported. The question was asked whether this is part of the evolution of service performance reporting or is it a prior period error.
 - Challenges associated with privacy issues over data. Whilst some respondents were comfortable with solutions on the sharing of sensitive data others sought guidance on balancing data protection and the need for verifiable information.

Does the Board have any **FEEDBACK** on the SPI consultation paper feedback analysis?

Draft guidance feedback

22. As part of the assurance practitioner roundtable, we did a "soft launch" of draft staff guidance on obtaining audit evidence (see appendix). This was to obtain feedback as to whether the guidance is practical, realistic and useful. This draft has also been discussed with regulators to inform its development. The roundtable participants represented firms of varying size and experience of auditing SPI.

23. The upfront key messages in the guidance were well received. The feedback however highlighted that whilst there is strong support for guidance, it is difficult to balance and reflect the professional judgement required in areas such as obtaining sufficient appropriate evidence, materiality and the assessment of appropriate and meaningful.
24. This was evident in the feedback on the first case study (assuring a qualitative description). There was a range of views as to what was the service performance measure (the 70% response rate i.e. a focus on the quantitative number, or the quote from the survey), and therefore what would be sufficient appropriate audit evidence to verify the extracted SPI.
25. The range of views reflected inconsistency in approach between auditors in auditing qualitative SPI. The mixture of views included:
 - i. that the quote was part of the service performance measure and can be verified. Some considered the guidance reflected the approach that may be taken in practice;
 - ii. that qualitative descriptions such as testimonials cannot provide faithful representation of the whole population unless it is supporting another service performance measure of fact by providing context;
 - iii. that the qualitative description would not be considered as part of the SPI and only the quantitative portion would be verified.
26. The participants noted that the guidance provided a practical approach for addressing statements included by the entity that may not be attributable to the entity or may lack supporting evidence.
27. The draft guidance we shared with stakeholders included a case study about the delivery of a good. Feedback received noted that the internal controls described in the case study were not reflective of the control environment that exists over SPI. The internal controls tested to obtain evidence did not reflect reality. There was some concern that illustrating a control environment which was described as “gold standard”, and not realistic may have the unintended consequence that the described level of controls is necessary to obtain sufficient appropriate audit evidence in the context provided. Similar feedback was reported by other stakeholders therefore we have deleted this case study. We will consider repurposing its content to address preparer concerns of evidence requirements above in paragraph 16.
28. Clarification was sought on the case study (attendance at an event) on the volume of testing done in one area. There were mixed views as to whether reporting numbers of attendees was appropriate and meaningful information, with some circumstances where it is likely to be.

Does the Board have any **FEEDBACK** on the comments received on the draft guidance?

Appendix**DRAFT**

Obtaining audit evidence over service performance information

Illustrative examples**Staff guidance****September 2025**

Status and disclaimer

This guidance is neither mandatory nor binding on entities. It does not have the force of law, nor does it amend, or provide any binding interpretation of External Reporting Board (XRB) standards. Only the Courts can make binding interpretations of XRB standards under the Financial Reporting Act 2013. Entities subject to XRB standards are not required to observe this guidance in order to comply with XRB standards. Nor does observance of this guidance necessarily mean compliance with XRB standards. XRB standards are the definitive statement of requirements. This guidance does not constitute advice. Entities subject to XRB standards must apply their own mind to the standards and take their own advice in considering and applying them. To the fullest extent permitted by law, the XRB disclaims and shall not be liable for any mistake or omission in this guidance, nor does the XRB accept any liability to any reader or user in relation to this guidance.

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Introduction

This non-authoritative staff guidance provides illustrative examples to support the practical implementation of the XRB's auditing standards when auditing service performance information. The examples focus on how the auditing standards might apply in practice to gather sufficient appropriate audit evidence to support the opinion expressed over reported service performance information.

Guidance for auditors of service performance information

This guidance is aimed at auditors who audit service performance information that is reported in accordance with the XRB's financial reporting standards. NZ AS 1 (Revised) *The Audit of Service Performance Information* together with the full ISAs (NZ)¹, set out the requirements to obtain reasonable assurance over service performance information.

Obtaining sufficient appropriate audit evidence is an iterative process and involves the following considerations:

- The risk of material misstatement, and the evidence needed to respond to those risks.
- The sources of evidence available, and how the sources affect the persuasiveness of the evidence and the nature of the procedures that may be performed.
- The purpose of a procedure and how that affects the nature, timing and extent of the procedures performed.
- The use of professional judgement and professional scepticism to evaluate the sufficiency and appropriateness of the evidence obtained.

Service performance information is an evolving and maturing area of reporting and assurance. Although auditing service performance in the public sector has been a requirement for years, it is a new area requiring assurance for many not-for-profit entities. The examples in this guidance are not intended to suggest either 'best practice' or the only way of addressing the matters set out in the examples; they are illustrative examples only. The examples are also not exhaustive as they include only a selection of procedures an auditor may perform in relation to the fact pattern set out.

The illustrative examples are:

- **Provision of a service:** obtaining audit evidence over qualitative information.
- **Attendance at an event:** obtaining audit evidence for attendance at an event including relevance and reliability of evidence and sources of evidence.

Each illustrative example sets out the circumstances of the situation. This is followed by some key considerations for how the auditor may obtain sufficient appropriate audit evidence in these circumstances.

If you have any feedback on this draft guidance please contact us at assurance@xrb.govt.nz.

¹ International Standards on Auditing (New Zealand)

Key messages for auditors



Engage early

Engage early with management to determine whether the entity's service performance reporting process provides a reasonable basis for the reported service performance information (or information intended to be reported).



Focus on what is important to users

Focus on obtaining evidence over the significant elements/aspects of service performance that are important to users and, and the related material service performance measures/descriptions. It may not be necessary to obtain evidence on every service performance measure.



Look for different sources of audit evidence

Look for different sources of audit evidence for service performance information and think beyond the systems and processes that support financial information.



Document significant judgements

Auditing service performance information involves significant professional judgements. Document significant judgements along with the nature, timing and extent of audit procedures performed.



Understand the entity

Obtain a good understanding of the entity (why the entity exists, what it intends to achieve and what activities or services the entity performs) and its service performance reporting process.



Risk assessment is key

Use the assertions and inherent risk factors to help identify and assess risks of material misstatement.

"What is sufficient appropriate evidence?" needs to be considered in the context of assessed risks and the audit approach to mitigate those risks.



Consider how qualitative statements can be verified

It is possible to assure qualitative information that is factual, directly observable or otherwise able to be subjected to evidence gathering procedures. Break up long pieces of text and focus on obtaining evidence of the facts that are most important to users.



Apply professional judgement and professional scepticism

Consider all available sources of evidence, the persuasiveness of evidence and the nature of the procedures that can be performed to determine what is sufficient appropriate evidence.



Illustrative Example 1: Provision of a service (qualitative)

Background

An entity has an objective to enhance primary health care by expanding healthcare accessibility to communities.

It intends to:

1. Reduce travel-related barriers for patients by offering virtual consultations.
2. Support timely interventions for minor or follow-up consultations virtually, thereby easing pressure on physical clinics.
3. Facilitate continuity of care through online follow-ups, allowing clinicians to monitor patient progress without requiring on-site appointments.

Draft Statement of Service Performance extract :

Digital health services

At the start of the reporting period, we launched digital health services to enhance access to timely health care. This service offers access to general practitioners, nursing, and advice afterhours for individuals residing in or visiting rural areas.

We engaged a third party to conduct a survey of the patients who used the digital service to obtain feedback about their experience. 70% of the patients were satisfied with the service provided. For further information on how the survey was compiled and conducted, and for detailed quantitative results, go to table 1 on page x.

Mere, a satisfied user of the service shared her experience with us:

"With not being able to drive, previously I had to rely on family and friends being available to take me to my GP appointments. With the digital health service," Mere explains, "I am able to talk to a doctor in a timely manner before my symptoms worsen, giving me peace of mind. I have also used the digital health service to follow-up in person consultations which has made managing my chronic condition easier".

Having more regular contact with health professionals to monitor her chronic condition, Mere has shown significant improvement.

The story of Mere highlights how the digital health service improves accessibility to health care for communities.

Auditor's work to date



Understand the entity

The auditor obtained an understanding of the entity (why the entity exists, what it intends to achieve and what activities or services the entity performs), the applicable legal and regulatory framework, and the service performance information process².



Focus on what is important to users

The auditor used their understanding, in combination with other planning procedures, to evaluate³ management's assessment of what aspects of service performance, performance measures and measurement bases to report on. The auditor agreed that the entity's new digital health service is a significant aspect of the entity's service performance because it significantly contributes to the entity's core purpose and objectives. The auditor determined materiality for service performance information. The auditor considered the description related to the new digital health service to be material.

² See New Zealand Auditing Standard 1 (Revised) *The Audit of Service Performance Information* (NZ AS 1), paragraphs 15-18.

³ NZ AS 1 paragraph 25. This example does not deal with, and is not intended to illustrate, the auditor's evaluation and conclusion of whether the description is appropriate and meaningful.

Identify and assess risks of material misstatement



Risk assessment is key

In obtaining an understanding⁴ of the entity's process to prepare the above description, the auditor identified the following risks of material misstatement related to the description:

- Key facts in the description cannot be substantiated (occurrence).
- The description overstates patients' satisfaction with the service, in that the percentage does not agree with the survey report result (faithful representation).
- Quotes selected by the entity do not appropriately reflect the entity's service performance or are misleading (presentation and accuracy.)

The auditor assessed these risks as follows:

- "Low" risk that key facts made cannot be substantiated. Key inherent risk factors⁵ considered:
 - Previous audits have not identified any significant statements that the entity has not been able to substantiate.
 - Key facts have no or a low level of judgement or uncertainty.
- "Low" risk that the description overstates patients' overall satisfaction with the service. Key inherent risk factors considered:
 - Previous audits have not identified instances of overstatement.
 - The survey process is outsourced to a reputable external service provider that uses a well-known off-the-shelf survey tool.
 - Whether the reported overall satisfaction is consistent with the survey results is straightforward. However, the faithful representation of the survey results depends on patient selection, and response collation and reporting processes.
- "Moderate" risk that the quote does not appropriately reflect the entity's service performance or is misleading. Key inherent risk factors considered:
 - The entity has been criticised in the media for spending a large amount of money to develop and implement the digital service. The entity may want to overstate the benefits of the service to justify the spending to its funders and the community.
 - Determining which quotes to include require management's judgement.
 - While reading the minutes of governance meetings, the auditor identified that patients experienced connectivity issues with the digital health system during consultations.

Audit procedures in response to the assessed risks

In designing the audit procedures the auditor considered the persuasiveness of the evidence required for the "low" and "moderate" assessed risks.

Response to the "low" risk that key facts that cannot be substantiated



Consider how qualitative statements can be verified

The auditor considered key facts from the material description, for example:

⁴ NZ AS 1 (Revised) paragraph 18 as it relates to understanding the information system and communication relevant to the preparation of service performance information, as well as the control activities component.

⁵ ISA (NZ) 315 (Revised 2019) Identifying and Assessing the Risks of Material Misstatement, Appendix 2.

At the start of the reporting period, we launched digital health services to enhance access to timely health care.

The auditor referred to the minutes of governance meetings which indicated the date when the new digital health service was approved and launched. The auditor is comfortable with the relevance and reliability of the evidence to respond to the “low” risk.

If the circumstances were different and the auditor was responding to a higher assessed risk, the auditor would consider more persuasive evidence, such as:

- A signed service level agreement from a third-party provider indicating when the entity can legitimately use the system.
- A go-live approval, an internal document signed by authorised individuals indicating the specific date from which the system was first in use.



Apply professional judgement and professional scepticism

Having more regular contact with health professionals to monitor her chronic condition, Mere has shown significant improvement.

The auditor was sceptical about this statement and asked for evidence that Mere’s condition has significantly improved and whether this was as a direct result of using the digital health service being provided? Management agreed that the direct relationship cannot be substantiated and that other factors such as improved medical interventions had a significant impact. Management therefore removed the sentence.

An alternative option to removing the sentence, was for management to make the necessary supporting information available to the auditor to corroborate their updated statement:

Having more regular appointments, ~~contact with health professionals were able to monitor her chronic~~ whether Mere’s condition, Mere has shown significant was improving ~~ement or whether changes to her medicine were required.~~

Response to the “low” risk that the description overstates patients’ satisfaction

We engaged a third party to conduct a survey of the patients who used the digital service to obtain feedback about their experience. 70% of the patients were satisfied with the service provided. For further information on how the survey was compiled and conducted, and for detailed quantitative results, go to table 1 on page x.

To test the overall reliability of the survey results, the auditor obtained a copy of the survey results directly from the third-party provider. From the survey and discussions with the third-party provider, the auditor obtained information on the description below table 1 on page x of how the survey was compiled and conducted. The auditor evaluated the adequacy of the disclosure, and documented their evaluation of the following aspects of the survey process:

- How the patients were selected.
- Whether there were any potential bias in the questionnaire.
- How the patients’ responses were collated and reported.

The 70% satisfaction rate reported in the statement of service performance was agreed to the survey report obtained from the third party. The auditor tested the mathematical accuracy of the satisfaction rate in the survey and did not identify any misstatements.

Response to the “moderate” risk the quote selected does not appropriately reflect the entity’s service performance or is misleading

"With not being able to drive, previously I had to rely on family and friends being available to take me to my GP appointments. With the digital health service," Mere explains, "I am able to talk to a doctor in a timely manner before my symptoms worsen, giving me peace of mind. I have also used the digital health service to follow-up in person consultations which has made managing my chronic condition easier".

The auditor determined that the quote was selected from patient feedback provided in the patient survey and was an exact replica of Mere’s feedback.

The auditor considered whether one quote places undue emphasis on good performance and downplays/omits poor performance, and that it could be misleading. The auditor therefore considered other feedback in the survey and noted that other patients who were “satisfied” with the service, shared Mere’s sentiment.

However, the auditor identified that the majority of the feedback from “dissatisfied” patients centred around frustration with being disconnected during consultations. This information was consistent with the auditor’s knowledge obtained from reviewing governance meeting minutes.

Following discussions management agreed to include the following wording to provide a more balanced view:

“Being a new system, an issue occurred in the current year where patients were disconnected on multiple occasions during consultations. This issue was reflected in some of the comments received by dissatisfied patients who were frustrated by the service over this period.”



Example 2: Attendance at an event (quantitative)

Background

The entity's purpose is to support families when a family member is diagnosed with a critical illness by helping families to feel less isolated. The objective of the entity's peer-support approach is that families find connection and support from others through a lived, shared experience.

The entity holds events that create a safe space for families to come to share experiences and offer support to one another. Families who sign up with the entity can participate in events throughout the year. Events include family gatherings, parent evenings, and a Halloween party. The number of families who attend the events is important information for the entity to know how many families it has supported.

Previously the entity recorded the number of families who signed up with the entity. This however did not capture who attended events and hence whether the entity achieved its objective of supporting through connection. Trend analysis of this data was also skewed by increases in the number of diagnoses.

Statement of Service Performance extract

Performance indicators – peer-to-peer support

Measurement	Current year 20xx	Prior year 20xx
Number of families attending events	2,045	1,874

Number of families attending events: the sum of the number of families* that have attended each event/activities held during the reporting period

* One or more family members is measured as one family.

Auditor's work to date



Focus on what is important to users

Using their understanding of the entity (why the entity exists, what it intends to achieve and what activities or services the entity performs), the auditor documented they agreed with management's assessment, that "the peer-to peer support approach" is an important element/aspect of the entity's service performance information. As families attending events directly relates to the entity's objective to support families through events, the auditor, in their professional judgement, determined that it is a material measure. As a material measure, it would be subject to further audit procedures designed to obtain audit evidence on whether it is free from material misstatement.



Risk assessment is key

From the risk assessment procedures performed, the auditor identified risks associated with the occurrence and accuracy assertions and assessed the likelihood of a misstatement occurring and magnitude of the potential misstatement as moderate.

Obtaining sources of evidence



Look for different sources of audit evidence

The entity disclosed the recorded attendance numbers. Based on this, the auditor determined that relevant and reliable evidence for the number of people attending the events was needed, for example, sign-in sheets.

If the entity made a more general statement, such as, "our events are attended by a number of people", then evidence such as photos, and social media posts may have been sufficient.

In obtaining an understanding, the auditor asked management the following questions to determine what information sources were available to address the risks of material misstatement (associated with occurrence and accuracy) identified:

- How do you determine the number of families that attend each event?
- Is the same process applied across all similar events and locations?
- What records do you keep from each event about the number of families who attended?
- Are there any records relating to the events from external parties, for example invoices?

From these enquiries, the auditor understood that different records exist depending on the event. Some records were the same as those used in the audit of the financial statements (for example, a supplier invoice) while other records differed. The auditor's workpapers described the following key points from the questions:

- Group events for family members take place indoors at local coffee shops or community centres. A sign-in sheet is used to record who attends. A volunteer ensures that all attendees have signed in. If more than one person from a family attends and signs in, they are recorded as one family attending in accordance with the entity's measurement basis. The information from the sign-in sheets is collated into a summary spreadsheet.
- For larger events such as the Halloween party, families register on an online platform. A sequentially numbered \$20 voucher is given to each family when they arrive to use at the food truck. The family is marked off the summary printout of registrations. The number on the last sequential numbered voucher is reconciled to the number of families marked off the summary printout of registrations following the event. The food truck invoices the entity for the value of the vouchers collected and attaches the vouchers to the invoice. The entity checks the invoice against the vouchers prior to payment.

Considering reliability of available evidence

To consider the reliability⁶ of available sources of information, the auditor asked management:

- How do you obtain comfort that the number of families attending events is complete and accurate?
- Are there any documented internal reviews performed on the number of families who attended events?
- Is the same process applied across all similar events and locations?
- Is this information shared with the board? If so, what questions do they ask about the information?
- Have any errors been detected. If so, what were they, and how were they identified and resolved?

Considering relevance of available evidence



Document your judgements

When designing the audit procedures, the auditor considered the purpose of the audit procedures and whether the information sources available are relevant for the purpose of the test.⁷ The procedures are designed to address the assertions:

- Occurrence: management may overstate the number of families attending events to reflect a more favourable level of service performance; and

⁶ ISA (NZ) 500 *Audit Evidence*, paragraph 7

⁷ ISA (NZ) 500, paragraph 7

- Accuracy: primarily over the data entry processes.

In the auditor's professional judgement, the risk of understatement or completeness of families not signing, is minimal due to the entity wanting to reflect the most favourable level of performance. Some testing was planned over completeness of the information produced by the entity for example, the data entry process in that specific family events are included in the summary spreadsheet, and a comparison to the food truck invoice for the Halloween event.

Perform audit procedures



Risk assessment is key

The auditor performed the following procedures based on the "low" risk assessment.

Specific family member events

To test occurrence and accuracy:

- Obtained a copy of the summary spreadsheet that was used to collate the date of the event, and the number of families who attended the event
- Tested the mathematical accuracy of the spreadsheet
- Selected specific events (based on the number of families at the event) until the number of families remaining are below materiality
- For each selected event:
 - Inspected the sign-in sheet for families with more than one person attending
 - Added up the number of family names on the sign-in sheet making sure that families with more than one person attending are not counted twice
 - Agreed the number with the number on the summary spreadsheet.

To test completeness of the summary spreadsheet, haphazardly agreed a selection of events from the entity's schedule of events on their website to the summary spreadsheet of events.

Annual Halloween event

To test occurrence and accuracy:

- Obtained a copy of the registration summary for the Halloween event (from the online registration platform) and observed how it was extracted from the platform
- Agreed the copy to the registration summary used at the event
- Counted how many family names had been crossed off the registration summary indicating that food tickets had been issued
- Agreed the number of crossed off families to the number of families that the entity reported.

To test occurrence, accuracy and completeness

- Compared the number of food vouchers per the food truck invoice to the number of families crossed off the registration summary. The auditor accepted the difference, because it was below their tolerable threshold and considered it realistic that not every family would collect their meal from the food truck, even though they had a voucher for the meal.

Evaluating the evidence obtained



Apply professional judgement and professional scepticism

The auditor used professional judgement and exercised professional scepticism to evaluate whether the audit evidence obtained was sufficient and appropriate. The auditor considered:

- Whether the online platform is reliable based on the auditor's understanding obtained?

- Whether the sign-in sheets were available for the specific family member events?
- Whether there were any unexplained differences above tolerable threshold that were not adjusted by management?
- Whether the number of families attending was able to be verified to a high level of precision?

WORKING Draft

Stakeholder Group	Feedback	Theme
Preparer	Entities are taking out information which they can't verify, but challenged by auditor if the information is important and should be included.	Appropriate and meaningful
Practitioner	What is appropriate and meaningful often left to auditor	Appropriate and meaningful
Practitioner	How are auditors best to know what is appropriate and meaningful	Appropriate and meaningful
Practitioner	Entity's need guidance on what is appropriate and meaningful	Appropriate and meaningful
Practitioner	Guidance on judgements required in assessing whether information is appropriate and meaningful	Appropriate and meaningful
Academic	Guidance when determining 'appropriate and meaningful performance measures' would be useful	Appropriate and meaningful
Preparer	Further guidance as suggested in this area [appropriate and meaningful] may be of assistance	Appropriate and meaningful
Member body	The flexibility enshrined in the SPI reporting frameworks complicates assurance engagements. Practitioners often face uncertainty around the scope and applicable criteria, which affects the consistency and reliability of assurance conclusions.	Appropriate and meaningful
Member body	Guidance that clarifies how to operationalise the conceptual framework constraints in SPI assurance, support auditors in evaluating preparers' trade-offs in selecting and disclosing competing qualitative SPI, address risks of management bias when preparing narrative, particularly where evidence is anecdotal, or not independently verifiable.	Appropriate and meaningful
User	Some auditors are working with clients on what is a&m information whilst others are being told what to put in rather than what they want to put in	Appropriate and meaningful
Practitioner	Amendments would help auditors as it would not increase costs significantly but help preparers in their thinking.	Appropriate and meaningful
Member body	A challenge for users is the inclusion of service performance measures that are not "appropriate and meaningful" for example number of grant applications, number of facebook likes, number of social media posts etc	Appropriate and meaningful
Member body	Clearer guidance on the term 'appropriate and meaningful' ... undefined nature has caused confusion and inconsistency in practice. [provided a suggested principle based definition]. Defining this term would support transparency, comparability and auditability while still allowing flexibility.	Appropriate and meaningful
Member body	Disclosure around judgements, why the entity considers the measures reported to be appropriate and meaningful, and focus on results the entity is accountable for rather than aspirational or long-term impact will promote efficient reporting, help users better assess the relevance and support more consistent assurance practices.	Appropriate and meaningful
Practitioner	Clients have difficulties in selecting appropriate measures	Appropriate and meaningful
Academic	Accounting firms may consider investing in training and resources to help auditors assess various forms of evidence and evaluate the appropriateness and meaningfulness of performance measures that align with a charity's specific context, mission and activities	Appropriate and meaningful

Stakeholder Group	Feedback	Theme
Preparer	Different information but still audited by financial auditors - language barrier and auditors needing to get an understanding of the entity	Audit approach
Preparer	Some auditors view is focused on financial statements only which means SPI not well considered	Audit approach
Preparer	Auditors are asking questions at the very end of the audit process (last minute compared to the financial statements)	Audit approach
User	Risk tolerance of auditors is less than funders - funders bring in gut feel	Audit approach
Preparer	Auditor unsure how to approach the audit of certain measures and unclear who the audience of certain measures should be	Audit approach
Preparer	Auditors have approached like a corporate financial statement report, a different approach and mentality needed for this kind of report	Audit approach
Preparer	Entities bearing the audit costs as auditors train to learn how to audit SPI	Audit approach
Preparer	Auditor training on the purpose of the SSP and the approach needed	Audit approach
Preparer	Feels like a lack of knowledge on how to audit SPI	Audit approach
Practitioner	One problem is that SPI audit standard is tied into other audit standards	Audit approach
Academic	Clarify expectations	Audit approach
Preparer	Risk assessment - auditors are too risk adverse.	Audit approach
Preparer	Auditor skills, experience and systems for service performance measurement and reporting are understandably much more immature.	Audit approach
Preparer	Auditors hold the power of valuable reporting innovation or to kill this area dead and consign it to being seen as a madatory compliance exercise.	Audit approach
Preparer	Financial auditors are used to assuring financial information based on long standing rules	Audit approach
Preparer	Auditors are heavily regulated and audited, as such are thorough in their application of standards and are risk adverse. This puts them in conflict with clients.	Audit approach
Preparer	New area for auditors to learn	Audit approach
Preparer	Audit fees may be increasing to rebalance charging appropriately for the work being done and to recoup some of the training costs for teams in this new area.	Audit approach
Preparer	The new requirement to audit SPI being carried out in a thorough way in an immature environment has resulted in many being seen as frustrating, expensive and compliance impost on an entity.	Audit approach
Member body	Skills gap with auditors as more experienced with financial statement audits.	Audit approach
Member body	Minimal training for auditors in SPI or non financial assurance as part of formal qualification. A need for enhanced professional development and targeted internal training to build capability and competence in assuring SPI.	Audit approach
Preparer	Auditors need to know who to communicate with non financial staff and not approach with the same lens when dealing with finance teams	Audit approach

Stakeholder Group	Feedback	Theme
User	Auditors mindset are not adapting to the philanthropic mindsets around having ideas and focusing on "gut feel". Audit requires fully complete and accurate information whereas funders are more comfortable with risk and bring gut-feel into it.	Audit approach
User	Auditors are taking a financial statement approach. Needs to be a person/body who understands philanthropy	Audit approach
Member body	25% increase in audit fees following introduction of SPI reporting. Increase attributed to factors such as underdeveloped information environments, the need for tailored audit procedures, and the complexity of auditing qualitative information.	Audit approach
Preparer	Performance measures auditing requires a lot more effort by entities compared to the financial statements	Audit approach
Practitioner	Hard to apply firm's methodology, which is based on the ISAs to the non- financial information included in the SSP	Audit approach
Practitioner	When there are changes to measures for example new staff, does this result in a prior period error?	Comparatives
Member body	Clearer guidance on how to address operational changes in SPI reporting would be beneficial e.g. with significant operational changes and evolving service models outdated performance measures may no longer align with current operations.	Comparatives
Practitioner	When is client's "journey" complete i.e. when are improvements to SSP no longer part of the journey	Comparatives
Practitioner	When radical changes made to the SSP may indicate incorrect metrics selected, resulting in a prior period error and an impact on the audit report.	Comparatives
Practitioner	Completeness particularly in difficult situations such as complaints	Completeness
Member body	Auditors face difficulty in applying traditional concepts such as materiality, completeness and audit assertions to inherently subjective and qualitative SPI.	Completeness
Practitioner	Challenges around ESG measures in SSP: 1) whether the measure is "appropriate and meaningful" when not linked to purpose or just an area of public interest 2) management don't have the knowledge and capability to measure them (not climate reporting entities), 3) boundaries of the measures are unclear 4) how the ESG are being measured 5) whether reasonable assurance under NZ AS 1 (Revised) can be provided	ESG
Preparer	Less so on internal controls as don't tend to rely on them	Internal controls
Practitioner	- assessing internal controls	Internal controls
Member body	Internal controls: distinguish between unsophisticated controls (which may be adequate for the complexity of the entity) and inadequate controls.	Internal controls
User	Supports targeted education and clarity for auditors as recommended in the consultation for use by Charities services and to enhance public trust and confidence in the sector.	Internal controls
Member body	Support topics identified (audit evidence, materiality, internal controls and sampling)	Internal controls
Academic	Lack of internal controls prevented charities from including certain performance measures	Internal controls
Academic	Difference in perception of what constitutes sufficient internal controls often differs from that of auditor e.g. counting and recording on a spreadsheet v auditor questioning accuracy and verifiability	Internal controls
Practitioner	Considerations when assessing internal controls	Internal controls

Stakeholder Group	Feedback	Theme
Member body	Challenges associated with lack of maturity in service performance is not only affecting preparers in NFP sector but also assurance practitioners	Lack of maturity
Preparer	Agree with suggestion of materiality	Materiality
Preparer	Materiality as doesn't appear to be used by auditors when looking at SPI	Materiality
Preparer	The level of materiality and comfort around qualitative reporting should be developed further	Materiality
Practitioner	Agree with suggestion of materiality	Materiality
Practitioner	Agree with suggestion of materiality	Materiality
Practitioner	Agree with suggestion of materiality	Materiality
Practitioner	How auditors can identify which are significant and important measures compared to immaterial measures which do not need to test.	
Practitioner	What criteria should auditors be using to assess this.	Materiality
Practitioner	The impact of risk on the materiality threshold	Materiality
Practitioner	Different materiality approaches	Materiality
Academic	Materiality, including double materiality	Materiality
Preparer	Agree with suggestion of materiality	Materiality
Member body	Bifurcated approach for materiality i.e. determining quantitative and considering for qualitative like in 5000	Materiality
Member body	Materiality: grouping SPI based on similarity in expression, user interest and user tolerance for misstatement, aggregation risk.	Materiality
Member body	Materiality: that entity's materiality assessment differs to the materiality assessment requirements that apply to assurance practitioners.	Materiality
User	Supports targeted education and clarity for auditors as recommended in the consultation for use by Charities services and to enhance public trust and confidence in the sector.	Materiality
Member body	Support topics identified (audit evidence, materiality, internal controls and sampling)	Materiality
Member body	Materiality and misstatement. E.g. qualitative outcome or subjective claims of "improved" or "increased". This weak attribution makes it difficult to assess whether the information is materially misstated or fairly presented.	Materiality
Member body	Auditors face difficulty in applying traditional concepts such as materiality, completeness and audit assertions to inherently subjective and qualitative SPI.	Materiality
Practitioner	Materiality: both determining whether a metric is material, and establishing a materiality/tolerance for misstatement	Materiality

Stakeholder Group	Feedback	Theme
Preparer	Guidance on approaches and requirements to obtain evidence.	Obtaining evidence
Preparer	Lack of understanding by auditors - did not know their own parameters around what information they could accept	Obtaining evidence
Preparer	What needs to be provided for audit and the supporting evidence used to verify certain measures	Obtaining evidence
Preparer	If unable to verify, then moved into other areas of the financial report - key driver the audit requirements	Obtaining evidence
Preparer	Being able to verify performance measures drives selection	Obtaining evidence
Preparer	Auditors more likely to accept evidence that can be followed through to financial information	Obtaining evidence
Preparer	Auditors places reliance on external sourced information even when illogical as original source is the client entity	Obtaining evidence
Preparer	Need to understand what auditors are looking for to allow for preparers to plan for this	Obtaining evidence
Preparer	Audit fees have doubled and countless conversations around quantifying unquantifiable information	Obtaining evidence
Preparer	Entities want to minimise compliance costs and therefore just do the small amount of effort to allow for a clean opinion	Obtaining evidence
	The fact that entities must prepare an annual report means the SPI reporting has failed in its objective to provide appropriate information to users about the entity's performance.	Obtaining evidence
Practitioner	Entity staff who don't come from system and data collection background have difficulties in understanding what evidence is needed	Obtaining evidence
Practitioner	Checks and balances used by entities for financial information is not thought about for non financial information	Obtaining evidence
Practitioner	Funding reports are "audited" by funders themselves, but these cannot be relied upon by external auditor	Obtaining evidence
Practitioner	Potential inconsistencies in auditors work effort and opinions, and reliability with auditors place on data and systems	Obtaining evidence
Practitioner	All identified areas in consultation document considered reasonable: - evidence	Obtaining evidence
Practitioner	Data sources from a third party - identifying the source of the underlying information and the depth you are expected to go	Obtaining evidence
Practitioner	Some preference to external verifiable data particularly in testing completeness	Obtaining evidence
Practitioner	Examples of scenarios when there is not sufficient appropriate evidence e.g like completeness of cash collections for charities	Obtaining evidence
Practitioner	An example of when the audit did not go to plan and what the auditor when the plan couldn't be executed.	Obtaining evidence
Practitioner	Examples when can validate most of the SSP but one area where you cannot	Obtaining evidence
Practitioner	Examples of how issues can be tackled through an alternative method and using back up approaches when the initial plan cannot be done	Obtaining evidence
Practitioner	Problems around in house surveys as may result in bias in the questions and the bias in the selection of people who are sent the survey	Obtaining evidence
Practitioner	Work effort for in house survey as can be more risky e.g. investigating whether comments are removed	Obtaining evidence
Practitioner	What would be less than illustrated in case study 2 but still be appropriate	Obtaining evidence
Preparer	As a new area some auditors directing clients to report items easy to count and verify.	Obtaining evidence
	Supports targeted education and clarity for auditors as recommended in the consultation for use by Charities services and to enhance public trust and confidence in the sector.	Obtaining evidence
User		Obtaining evidence

Stakeholder Group	Feedback	Theme
Member body	Immaturity of SPI results in variations in approach such as choosing to disclose information easier to report such as quantitative data instead of more complex qualitative aspects, selective disclosure of favourable outcomes, lack of substantiated results or supporting evidence. Such variations can increase complexity and difficulties in obtaining sufficient and appropriate evidence.	Obtaining evidence
Member body	Lack of clarity over reporting, maturity in service performance reporting and verification challenges undermine the overall quality and reliability of SPI and present practical barriers to delivering robust assurance in this evolving reporting landscape.	Obtaining evidence
Member body	Assurance ambiguity undermines efficient SPI preparation. SPI assurance environment remains challenging due to limited guidance on evidence expectations. Preparers concerned about not knowing what supporting documentation will be requested during audit, which creates uncertainty and inefficiency.	Obtaining evidence
Member body	Support topics identified (audit evidence, materiality, internal controls and sampling)	Obtaining evidence
Member body	25% increase in audit fees following introduction of SPI reporting. Increase attributed to factors such as underdeveloped information environments, the need for tailored audit procedures, and the complexity of auditing qualitative information.	Obtaining evidence
Member body	Guidance on assuring non-verifiable or self reported information will be essential to support sufficiency and appropriateness of audit evidence.	Obtaining evidence
Preparer	Assurance practitioners do not spend time on systems, but focus on the source files and patient records	Obtaining evidence
Academic	Auditor demands for evidence are generally more stringent than charities expected, resulting in tension over the auditability of certain aspects of SSP.	Obtaining evidence
Academic	Concerns over subjectivity and attribution in reporting measures means some charities shifted SSP content to other places such as the annual report.	Obtaining evidence
Academic	Accounting firms may consider investing in training and resources to help auditors assess various forms of evidence and evaluate the appropriateness and meaningfulness of performance measures that align with a charity's specific context, mission and activities	Obtaining evidence
Academic	A few charities engaged external parties for independent preparation services. These external parties included research companies and online evaluation tools, and their involvement is likely to increase the reliability of the reported survey results.	Obtaining evidence
Academic	Charities preparing funder SSP for years found the first year of SSP audit difficult. " ...we did think some of the evidence that they were requiring was a bit over the top ..."	Obtaining evidence
Academic	Many services are provided free of charge, leaving little or no monetary trail. As a result, evidence for performance measures is largely internally generated, which can reduce its perceived reliability from an auditing perspective.	Obtaining evidence

Stakeholder Group	Feedback	Theme
Practitioner	Guidance on sufficient appropriate evidence would be welcomed covering: 1) where the only source of information to support the measure is internal (such as sign in sheets for events held or manual logs of goods/service provided) 2) where external parties are engaged to provide information (such as surveys) 3) where the entity does not have controls to rely on.	Obtaining evidence
Practitioner	How to assess the relevance and reliability of information used as evidence e.g. entity engages a 3rd party to perform a survey	Obtaining evidence
Practitioner	Examples of what isn't considered sufficient appropriate evidence and the resulting audit implications e.g. remove from SSP but located elsewhere in the report if client wishes to continue to present them.	Obtaining evidence
Practitioner	Difficult to explain to and understand what is sufficient appropriate evidence for non financial measures that often only have internal sources of verification.	Obtaining evidence
Practitioner	Encourage incorporating Public sector entity guidance into auditing standard (OAG have issued guidance)	Other
Preparer	Questioned whether audit is making a difference to the quality of SPI reporting in tier 1 and 2.	Other
Member body	24% increase in cost of audit fees with introduction of tier 1 and 2 charities. Instances of audit of SPI costs the same as the audit of the rest of the financial statements.	Other
Member body	Assurance practitioners feel much more is required from them, than is required by the entity preparing SPI, resulting in an imbalance of responsibility.	Other
User	Concerned when organisation receives a modified opinion - especially a disclaimer of opinion - in regard to service performance information.	Other
User	Modified audit opinions relating to service performance information may cause confusion and concern for the public.	Other
Preparer	Privacy issues of collating data	Privacy
Preparer	Privacy requirements means this information cannot be shared to help prove the reported performance	Privacy
Member body	Data privacy: how to balance data protection (e.g. anonymisation techniques) with the need for verifiable information (joint guidance)	Privacy
Preparer	Some challenge around privacy, but auditor able to verify directly from the system	Privacy
Academic	Other challenges are dealing with highly confidential data, including patients and victims information ...	Privacy
Preparer	Understanding the entity is important. Auditors don't understand what the entity has done, and therefore do not understand how to audit the SSP. There is a significant difference when the auditor has an understanding of the entity.	Understanding the entity
Preparer	Need focus on auditor understanding the entity, understanding Maori, the services delivered, reasons for the reporting, and the benefits of efficiency and value for money	Understanding the entity
Academic	Auditors have had to have a more in-depth understanding of charity operations and to learn new systems and processes.	Understanding the entity
Member body	The flexibility enshrined in the SPI reporting frameworks complicates assurance engagements. Practitioners often face uncertainty around the scope and applicable criteria, which affects the consistency and reliability of assurance conclusions.	Scope
Member body	Guidance to clarify the scope of the engagement to ensure it only covers activities in the reporting period and how to apply existing assertion in an SPI context.	Scope

Stakeholder Group	Feedback	Theme
Practitioner	Lack of engagement at governance level	PBE FRS 48 amendments
Practitioner	Reporting done by entity finance staff don't understand the organisation well and have a lack of clarity	PBE FRS 48 amendments
Preparer	Q 8 agreed. Potential mismatch between specificity in audit standard being greater than reporting standard	PBE FRS 48 amendments
Member body	Agree with root causes of the key challenges being experienced by stakeholders	PBE FRS 48 amendments
Member body	Q8: believe that targeted amendments to PBE FRS 48 would go some way to helping address the assurance challenges.	PBE FRS 48 amendments
Member body	Agree with the root causes identified contributing to challenges being faced.	PBE FRS 48 amendments
Member body	Questions such as whether auditors should challenge management's identification of users remain unresolved and needs to be addressed.	PBE FRS 48 amendments
Preparer	Changes will not address auditor challenges. Entities are bearing the audit costs as auditors train to learn how to audit SPI	PBE FRS 48 amendments
Preparer	Basis or preparation recommendation looks to be adding more obligations and extra work for reporters and assurers so would be less keen on this.	PBE FRS 48 amendments
Member body	Yes agree to amending the requirements of PBE FRS 48 Clarifying and refining [PBE FS 48] would provide both preparers and assurance practitioners with greater confidence and improve the consistency and quality of reporting.	PBE FRS 48 amendments
Member body	Recommend defining "primary users" of SPI in a principles based manner to help preparers identify relevant users. If auditors are expected to rely on the same user definition, they may need to challenge management's user assessment, which must be clearly articulated and supported in the standard of accompanying guidance.	PBE FRS 48 amendments
Member body	Basis of preparation disclosure requirements will improve transparency and allow users and assurance practitioners to better understand the rationale behind reported SPI.	PBE FRS 48 amendments
Member body	Q8 targeted amendments to PBE FRS 48 and guidance will help address several assurance challenges. Requiring NFP to explain their performance measurement basis, user identification process and rationale for selecting performance indicators would enable assurance practitioners to better assess the relevance, appropriateness and completeness of SPI without encroaching on management's role. The improved transparency and structure supports the auditor in forming a view on whether SPI fairly presented.	PBE FRS 48 amendments
Member body	Addressing the mindset of "compliance task" by preparers along side guidance can support a stronger assurance environment.	PBE FRS 48 amendments
Practitioner	Q8: agree that some amendments and guidance would help. Strongly encourage XRB to consider whether any of the guidance suggested in CP would be better incorporated as amendments to NZ AS 1 (Revised) at the same time as amendments to PBE FRS 48 rather than guidance.	PBE FRS 48 amendments
Practitioner	Encourage XRB to make any required amendments to NZ AS 1 (Revised) at the same time as PBE FRS 48.	PBE FRS 48 amendments

Stakeholder Group	Feedback	Theme
Preparer	Hard to change qualitative data to quantitative data - takes time and effort	Qualitative disclosures
Preparer	Want to report advocacy and how many people that impacted, but not verifiable so focus on number of submissions and meetings	Qualitative disclosures
Preparer	Auditors did not know how to report outcome measures	Qualitative disclosures
Preparer	Qualitative data .. Would not be practical due to deadlines and auditor timelines	Qualitative disclosures
User	Auditors are focussed on the outputs and not outcomes	Qualitative disclosures
User	Audits are split over the data which can be audited and not the story telling non financial information which is not audited	Qualitative disclosures
	Audit requirements place emphasis on the quantitative reporting rather than the story of the information	Qualitative disclosures
Preparer	Qualitative information was pushed back by auditor	Qualitative disclosures
Preparer	Auditors focused on getting the numbers right rather than getting the story of performance	Qualitative disclosures
	Entities have been able to put in different measures around reporting satisfaction around service delivery which has just resulted in further compliance costs	Qualitative disclosures
Preparer	Research done, and the outcome of the research is not allowed, but focuses on the compliance and process of research rather than what the research has resulted in	Qualitative disclosures
Preparer	Most measures seem to be quantitative numbers which are easy to count, but do not actually reflect quality of the performance of the year	Qualitative disclosures
Preparer	The level of materiality and comfort around qualitative reporting should be developed further	Qualitative disclosures
Practitioner	Difficulties with auditing qualitative disclosures particularly when no quantitative to provide context	Qualitative disclosures
Practitioner	Need preparer guidance on when you can make qualitative disclosures instead of quantitative	Qualitative disclosures
	Qualitative information is more challenging for assurance practitioners to verify, compared to quantitative. Guidance on obtaining evidence would be useful	Qualitative disclosures
Member body	SPI located outside of the SSP so only subject to "other information" - particularly qualitative measures and descriptions, that is important to the entity but for which sufficient appropriate evidence is not available.	Qualitative disclosures
	Challenge around SPI is auditing feels and people's perceptions of activities and subjective information, as opposed to objective information	Qualitative disclosures
User	Information around surveys and case studies to support qualitative disclosure is often not practical due to significant issues around resourcing and financial cost. Surveys take a lot of work to get questions appropriately balanced.	Qualitative disclosures
User	Larger funders do not put the same lens on the SPI in recognition that measuring SPI can be difficult. Therefore they will also look to the SPI outside the audited financial statements and may not see it any differently.	Qualitative disclosures
Member body	25% increase in audit fees following introduction of SPI reporting. Increase attributed to factors such as underdeveloped information environments, the need for tailored audit procedures, and the complexity of auditing qualitative information.	Qualitative disclosures
Member body	Few charities included qualitative measures. This likely influenced by the auditing practice, which is more accustomed to auditing quantitative over qualitative measures.	Qualitative disclosures
Academic		Qualitative disclosures

Stakeholder Group	Feedback	Theme
Academic	Auditors should upskill in assessing qualitative measures and remain open-minded and receptive to the underlying logic and intention behind these measures, rather than placing undue emphasis on quantitative measures.	Qualitative disclosures
Academic	The auditing process was perceived to favour quantitative output measures and discourage outcome-related disclosures.	Qualitative disclosures
Academic	Preference for quantitative v qualitative may reflect a combination of factors, including the relative ease of auditing quantitative data, auditor's inexperience in testing qualitative measures and the inherent difficulties in measuring and verifying outcomes	Qualitative disclosures
Academic	Some [auditors] would not like outcomes unless there was a proven direct causation between a charity's output and outcomes, others were more encouraging, recognising the complex nature of outcomes.	Qualitative disclosures
Academic	Some charities collected information through surveys or pre/post service/intervention assessments. However auditors challenged the reliability of qualitative measures and descriptions, claiming biases and incomplete datasets	Qualitative disclosures
Academic	Acknowledgement of inherent difficulties with measuring outcomes such as respondent biases. E.g addiction programme, but may not complete form if carried on drinking	Qualitative disclosures
Preparer	Practical approaches to sampling	Sampling
Practitioner	- practical approaches to sampling	Sampling
Member body	Sampling: Perception that if SPI reported it must be material as it must be audited and no sampling being performed.	Sampling
User	Supports targeted education and clarity for auditors as recommended in the consultation for use by Charities services and to enhance public trust and confidence in the sector.	Sampling
Member body	Support topics identified (audit evidence, materiality, internal controls and sampling)	Sampling
Practitioner	Sampling	Sampling
Member body	Guidance to clarify the scope of the engagement to ensure it only covers activities in the reporting period and how to apply existing assertion in an SPI context.	Assertions
Member body	Auditors face difficulty in applying traditional concepts such as materiality, completeness and audit assertions to inherently subjective and qualitative SPI.	Assertions
Member body	Audit assertions such as accuracy, completeness and cut off are particularly difficult to assess in SPI audits.	Assertions
Practitioner	Entity's want to report result of providing funding rather than their role as fund provider	Attribution
Practitioner	Clarity around "boundary" testing - e.g. provide funding to build homes v provided homes	Attribution

NZAuASB Board meeting summary paper

Meeting date: 8 October 2025

Subject: **Technology – Proposed guidance topics and IAASB NZ roundtable event**

Date: 23 September 2025

Prepared by: Thinus Peyper

☒ **Action Required**

☐ **For Information Purposes Only**

Agenda item objectives

1. The objectives of this agenda item are to:
 - A. Discuss the local guidance topics, on using technology in audits, that we are proposing to develop.
 - B. Inform the Board of the IAASB Technology Quality Management roundtables.

1.A. Proposed guidance topics on using technological tools in audits

Background

2. At the Board's August meeting, the Board recommended that we gather further input to identify guidance topics, on using technological tools in audits, which could be prioritised and developed locally. It was also suggested that we could draw from guidance developed by others, and tailor that for New Zealand.
3. We held discussions with the following stakeholders to inform us on the relevance and priority of possible guidance topics:
 - a few audit firms ranging from small to large;
 - the Audit Advisory Group that provides input to the New Zealand IAASB member;
 - the FMA; and
 - the UK FRC.
4. We've reached out to a range of stakeholders with whom we'll continue discussions in the coming months.
5. The key messages from discussions to date are:
 - Even though there is a lot happening in the technology space, auditors have not communicated an urgent need for guidance on the use of technological tools.
 - Clarity on what should be documented in audit working papers could help with consistent application of the standards. Aspects to clarify may include:
 - An understanding of the tool (explainability) when that information is kept centrally by the firm and/or firm leadership has approved the firm-wide use of a tool.
 - How the tool was used in specific circumstances, for example, when the tool replaces the steps normally performed by an audit team member or when the tool is used to supplement the team member's work performed.
 - Describing how the procedures that the tool performs align with the nature/types of procedures from the auditing standards and therefore provide the auditor with sufficient

appropriate audit evidence. For example, the tool may perform risk assessment and response procedures simultaneously, or the tool provides information from which the auditor could infer that controls have operated effectively (but those controls have not been tested).

- The importance of testing the reliability of entity data that is used as an input into the technological tool have been highlighted. Similarly, there is an increased emphasis on verifying the output of the technological tool.
6. We propose that guidance be developed on the topics summarised in the table that follows. The guidance should be principles-based with a focus on Generative AI and Agentic AI. The topics have been informed by our initial outreach and monitoring of guidance developed in other jurisdictions. The second topic “firm-level policies” is also being considered by the IAASB (see section 1B, on page 3 of the paper). The IAASB’s agreed next steps resulting from the quality management roundtables are expected in December 2025. Starting with local guidance on this topic therefore depends on what those next steps are and the timeframe for any planned international guidance.

Topic and high-level focus areas	Type of guidance	Timing	
		Project plan	Commence
Audit file documentation requirements	Illustrative examples / use cases that show how the principles of the standards could be applied	Dec’25 NZAuASB board meeting	Jan’26
What / how much to document under different scenarios			
Alignment of a tool’s procedures with those described in the ISAs			
How using a tool could affect certain audit concepts			
Increased focus on input data and output of the tool			
Application of professional judgement and scepticism			
Firm-Level Policies	List of common practice / good practice aspects for firms to consider in reviewing / updating their policies	Feb’26 NZAuASB board meeting	Mar’26
End-to-end process for approving a tool			
Documenting tool functionality			
Prerequisites for using a tool			
Ongoing monitoring of the tool and its use			

7. A matrix of the information we considered, including our rationale for selection and prioritisation is available in Appendix 1, on pages 4 and 5 of the paper.
8. How to prepare for the discussion on agenda item:
- Read the proposed guidance topics on the use of technological tools in audits (see Appendix 1).
 - Consider the relevance and priority of each topic.
 - Consider any additional topics or areas where guidance would be beneficial.
 - Share views and thoughts on the preferred formats for guidance (e.g., FAQs, illustrative examples / use cases, other).

Recommendation

9. We recommend that the Board DISCUSS the proposed guidance and share views on:
- the appropriateness of the topics or whether there are other topics to focus on;
 - the preferred types of guidance; and
 - the timing of each topic.

Next Steps

10. Based on the Board’s input, we will refine the guidance topics as necessary, develop a project plan, and seek stakeholder feedback throughout guidance development.

1.B. IAASB Technology Quality Management roundtables

Technology Quality Management Workstream

ROADMAP



Source – IAASB staff presentation at the IESBA September 2025 meeting

11. In June 2025, the IAASB Technology Quality Management Workstream was established, which focuses on understanding how firms and practitioners are applying quality management standards to emerging technologies.
12. As part of this workstream, the IAASB will hold a series of global roundtables and the XRB will co-host an in-person roundtable event in Auckland on Thursday, 13 November 2025.
13. The purpose of the roundtable is for the IAASB to determine whether additional guidance material is needed to support auditors. Discussions on the following can be expected:
 - How emerging technologies, particularly artificial intelligence, are being (or expected to be) adopted in audits and assurance engagements.
 - Sharing practical experience, emerging best practices, and lessons learned from applying the quality management standards to promote technological innovation and to effectively adopt and integrate emerging technologies.
 - Understanding and responding to evolving and potentially different expectations by stakeholders of audits and assurance engagements—including regulators, preparers and audit committee members, investors, academics—to support innovation and reduce the risk of regulatory fragmentation.
14. New Zealand participants, based on the IAASB’s criteria, have been invited and were provided with a [briefing note](#) in preparation for the discussions.
15. We welcome Board members to provide any perspectives to inform the roundtable discussions.
16. We will report back on what we hear at the December NZAuASB board meeting.

Recommendation

17. We recommend that the Board NOTE the IAASB Technology Quality Management roundtable event that will be co-hosted by the XRB.

Material presented

- Appendix 1: Matrix of information considered to decide on the proposed guidance topics

Appendix 1: Matrix of information considered to decide on the proposed guidance topics

Topic	Suggested focus areas:	Proposed guidance	Priority	Rationale:
Audit team responsibilities	Highlight prerequisites for using a tool, for example: <ul style="list-style-type: none"> Improving AI literacy Understanding the purpose, relevance and limitations of a tool before using it on a particular engagement. The audit partner's overall responsibility for the audit. The audit team's need to exercise professional judgement and maintain professional scepticism when using technological tools. 	No separate guidance	Low	Multiple documents ¹ caution against overreliance on technological tools, and that use of technology should not diminish auditor judgement and scepticism. We have not heard a need for guidance in this area and auditors have described to us a human is always involved in decision making. Conclusion: Prerequisites can be incorporated in the proposed Firm-level policies guidance (see page 5 below). The application of professional judgement and scepticism will be illustrated as part of the proposed illustrative examples / use cases guidance below.
	Increased responsibility over testing: <ul style="list-style-type: none"> the accuracy and completeness of input data which is also affected by the entity software; and the output of the tool. 	No separate guidance	Low to Moderate	Multiple documents ² describe that AI tools often lack transparency, making it difficult for auditors to understand how the output is generated. We heard that as a result auditors are focussing on the reliability of input data and assessing the output of a tool. Conclusion: The priority for developing guidance in this area is low to moderate. Auditors are currently mitigating the risk, and AI explainability / the AI black box problem is expected to form part of the IAASB quality management roundtable discussions. Increased focus on input data and output of the tool can be illustrated as part of the proposed illustrative examples / use cases guidance below.
Audit file documentation requirements	Documenting work performed using a technological tool that: <ul style="list-style-type: none"> replaces audit steps normally performed by a team member; or supplements a team member's work. 	Illustrative examples / use cases that show how the principles of the standards could be applied	Moderate	We heard that clarification on the following would be helpful: <ul style="list-style-type: none"> How much to document when technological tools are used under different scenarios. How using technological tools align with procedures described in the ISAs and affect certain audit concepts in the ISAs. Audit firms could therefore benefit from examples that illustrate documentation under different scenarios and promote consistent application of the standards. The priority assigned to this guidance is moderate. Conclusion: Local guidance development to commence after the October board meeting. A project plan will be presented to the Board at its December 2025 board meeting.
	Documenting how the technological tool's procedures: <ul style="list-style-type: none"> align with the nature / types of procedures described in the standards; and affect audit concepts like audit sampling and the mix of procedures to obtain sufficient appropriate audit evidence. 			

¹ CPAB 2024 AI report; IFIAR 2025 Report on use of technology; IAASB FAQ Addressing the risk of overreliance on technology

² IAASB Catalogue; CPAB 2023 risk alert; UK FRC AI in Audit; IAASB FAQ Use of ATT when performing risk assessment procedures; IAASB guidance on the auditor's documentation when using ATT

Topic	Suggested focus areas:	Proposed guidance	Priority	Rationale:
Firm-Level Policies	<p>Adoption process requirements for:</p> <ul style="list-style-type: none"> Bespoke firm-wide tools (development, assessing compliance with the standards, and testing their reliability); and Off-the shelf tools (assessing compliance with the standards, and testing their reliability). <p>The above should include ethical parameters set for the tool and that information input into an application will remain confidential.</p> <p>Specific considerations for small to medium-sized audit firms and public sector.</p> <p>Requirements for developing / amending tools by the audit team or across audit teams in a particular sector.</p> <p>Central vs. audit file level documentation requirements of:</p> <ul style="list-style-type: none"> a tool's functionality (including how the AI algorithm was trained, tested and how it comes to conclusions reached); and why it is appropriate to be used. <p>Requirements for ongoing monitoring of:</p> <ul style="list-style-type: none"> A tool's use across audit engagements and its impact on audit quality. Engagement team changes made to tools. Updates to the tool due to latest developments of the underlying AI platform. 	List of common practice/good practice aspects for firms to consider when reviewing/updating their policies	Low to Moderate	<p>Multiple documents³ emphasise the need for firms to establish policies on developing and approving technological tools and monitoring their use.</p> <p>Smaller firms may face unique challenges which should be considered further⁴. The same argument could be made for audits in the public sector.</p> <p>We also heard that:</p> <ul style="list-style-type: none"> Existing guidance on off-the-shelf tools could be expanded on. It is becoming increasingly easier for audit teams to develop tools, as technology evolves, creating additional opportunities and risks. <p>Audit firms, across the range of firm sizes or sectors in New Zealand, could therefore benefit from guidance that promote consistent application of the standards.</p> <p>The priority for developing guidance in this area is low to moderate because:</p> <ul style="list-style-type: none"> audit firms have spent considerable time and resource to implement PES 3⁵; and information is currently being gathered through the IAASB's Technology Quality Management workstream to determine whether support is needed. New Zealand specific views will be discussed on 13 November 2025. <p>Conclusion:</p> <p>Local guidance development to commence from January 2026. A project plan will be presented to the Board at its February 2026 board meeting.</p> <p>Development depends on whether international non-authoritative guidance will be considered and the timeframe for completing such guidance. We will have more information for the Board at its December 2025 board meeting.</p>

³ IAASB Catalogue; CPAB 2024 AI report; CPAB 2023 risk alert; UK FRC Thematic review on certification of tools; JICPA Study into the use of AI in audits, IFIAR 2025 Report on use of technology

⁴ CAANZ Audit and technology playbook; JICPA Study into the use of AI in audits

⁵ FMA 2024 Audit quality report

NZAuASB Board meeting summary paper

Meeting date: 8 October 2025

Subject: **Upcoming post implementation reviews**

Date: 23 September 2025

Prepared by: Lisa Thomas and Anna Herlender

☐ **Action Required** ☒ **For Information Purposes Only**

Agenda item objectives

1. To update the NZAuASB on upcoming post implementation reviews for:
 - (a) Non-compliance with Laws and Regulations (NOCLAR)
 - (b) Restructured Code
 - (c) ISA 540 (Revised) *Auditing Accounting Estimates and Related Disclosures (ISA 540 (Revised))*

Background

2. The IESBA intends to start work in Q3 2025 on post implementation reviews (PIRs) for NOCLAR and the Restructured Code. This is part of its strategy and work plan to slow down the pace of standard setting and have greater focus on PIRs.
3. The IESBA will be coordinating with IAASB to ensure there is general alignment in objectives and approach with these PIRs and the IAASB PIR for ISA 540 (Revised). This coordination will help inform the development of a general framework for PIRs by both standard setting bodies going forward to get a consistent approach.
4. A PIR of ISA 540 Revised is included as part of the IAASB Strategy and Work Plan for 2024-2027 and this aligns with the IAASB approach to only consider PIRs after a significant period of global adoption and implementation of the standard (i.e. 3-5 years).

Matters to consider

NOCLAR

5. Non-compliance with laws and regulations (NOCLAR) comprises acts of omission or commission, intentional or unintentional, which are contrary to prevailing laws or regulations committed by audit client, those charged with governance, management or other individuals working for or under the direction of the client.
6. The Code includes specific sections on NOCLAR with a framework to guide practitioners on how best to act in the public interest when they become aware of NOCLAR or suspected NOCLAR.
7. NOCLAR sections were approved in April 2016 by the IESBA and had effective date of July 2017.

8. The scope of NOCLAR PIR will encompass the entirety of sections 260 and 360 in the Code (these are specific NOCLAR sections) and consequential implications relating to Confidentiality (in Section 114) and Professional Behaviour (in Section 115).
9. Timeline:
 - Q3 2025 information gathering
 - Q4 2025 inform stakeholders about coming PIR
 - January 2026 issue public survey with a comment period 90-120 days
 - Q3 2026 analyse feedback
 - Q4 2026 finalise report and recommendations and determine way forward.

Restructured Code

10. The 2018 Code integrated revisions from the following projects:
 - *Structure of the Code Project*: Structural and drafting enhancements to:
 - increase the prominence and emphasise the requirements to comply with the fundamental principles, be independent where applicable, and apply the conceptual framework.
 - clearly distinguish requirements from application material
 - increase the clarity of responsibility in relation to independence; and
 - increase clarity of language to improve readability and understandability.
 - *Safeguards Project*: To revise safeguard provisions to better align with threats to compliance with fundamental principles.
 - *Applicability Project*: Clarification and guidance for Professional Accountant (PA) in Public Practice, that relevant PA in business provisions apply.
 - *Professional Scepticism Project*: Introduce new application material in relation to professional scepticism and professional judgement.
11. The PIR will focus only on the structural and drafting enhancements, which were in response to comments from various stakeholders on issues associated with the structure, clarity and usability of the Code. The IESBA approved the changes in December 2017, with an effective date of June 2019.
12. There will be communications in Q4 2025 to raise awareness of the upcoming PIR, with a public consultation survey expected in January 2026. Staff will update the NZAuASB at its February 2026 meeting of planned outreach and promotion of the survey.

ISA (NZ) 540

13. In June 2018, the IAASB approved ISA 540 (Revised) for audits of financial statements for periods beginning on or after 15 December 2019. Revisions were made to the standard to address the following public interest issues:
 - (a) Evolving audits risks due to a more complex business environment;
 - (b) Fostering improved exercise of professional scepticism; and
 - (c) Improved communication and transparency.
14. Revisions included:
 - (a) Introducing the concept of inherent risk factors and enhanced risk assessment procedures.

- (b) Emphasising the importance of auditor decisions about controls relating to accounting estimates.
 - (c) Introducing objective based work effort requirements for methods, data and assumptions.
 - (d) Enhanced stand back and disclosure requirements.
 - (e) New requirements on communications with those charged with governance.
15. The NZAuASB issued the revised standard modified only to incorporate terminology used in New Zealand.
 16. In July 2025, the IAASB sent a request for information to IAASB Jurisdictional Standard Setters including the XRB. High level information was sought on the adoption and implementation of ISA 540 (Revised) and any benefits and challenges regarding application of the standard.
 17. Staff responded to the request based on targeted outreach to assurance practitioners, regulators and reviewing recent FMA finding reports. Our response can be found in the agenda item for correspondence. Key challenges raised in the information we provided were reported to the IAASB at their September meeting.
 18. The results of this request for information will inform the questions for a public consultation survey expected to be issued in January 2026 with a proposed 90-day comment period. Staff will update the NZAuASB at its February 2026 meeting of planned outreach and promotion of the survey.

Recommendations

19. For the Board to NOTE the update on the upcoming PIRs.

Material presented

Board meeting summary paper

NZASB Board meeting summary paper

Meeting date: 8 October 2025

Subject: **Modified auditor's reports**

Date: 19 September 2025

Prepared by: BM

☒ **Action Required**

☐ **For Information Purposes Only**

Agenda item objectives

1. The objective of this agenda item is for the Board to:
 - (a) CONSIDER the application of the modified audit reports policy memorandum
 - (b) AGREE that there are no implications for the auditing and assurance standards from the modified audit reports received from October 2024 to September 2025
 - (c) NOTE the updated modified audit reports policy and memorandum.

Background

Modified audit reports received during the year.

2. Under relevant legislation, auditors and assurance practitioners are required to submit to the XRB, and other relevant parties, a copy of their modified audit report, for audits of companies, incorporated societies, FMC reporting entities, and modified assurance report of GHG disclosures of climate reporting entities. We have a portal on our website to enable collection of these reports. We also share data quarterly with the FMA, Incorporated Societies registrar and Companies Office registrar.
3. The application of the current modified audit reports policy memorandum has been prepared jointly by the assurance standards team and the accounting standards team. It will be considered by NZASB members at their October NZASB meeting. Appendices A and B are most applicable to this board, Appendices C and D were specifically prepared for the NZASB board.
4. We received 11 modified audit reports between October 2024 and September 2025. By comparison we received 11 in the previous year. There have been no issues identified which have implications for the assurance standards.
5. A copy of the current XRB policy on modified audit reports is in the supplementary papers.
6. We have not received any modified audit reports for Incorporated Societies.
7. We have also not received any modified assurance reports for climate reporting entities. This is consistent with our latest GHG assurance snapshot. The SRB board is being updated separately on this matter, along with the updated policy.

Updated modified audit and assurance reports policy

8. Team members from across the three teams (accounting, assurance, sustainability) have worked together to update the XRB's policy on modified reports arising from recent

legislative changes. These changes require assurance practitioners to, in addition to the current requirements, now submit to the XRB:

- (a) their modified audit reports over the financial statements of incorporated societies, or
 - (b) their modified assurance reports over mandatory GHG emissions disclosures.
9. The updated policy incorporates these recent legislative changes. It also clarifies the current key requirements of the NZAuASB (in paragraph 5 and 6 of the policy):
- (a) to focus on modified reports in relation to any issues, trends or themes arising from the modifications, relevant to assurance standards,
 - (b) consider the modified reports as part of the boards wider environmental scanning,
 - (c) noting any themes, or common issues or trends, particularly if there are substantive issues about the standards themselves, and if so, consider if the modified reports raise any issue about the appropriateness, applicability, clarity and/or completeness of the relevant standards.
10. A memorandum is included summarising the key changes to the policy and the updated policy is also attached.

Incorporated Societies

11. For incorporated societies, we needed to provide additional [guidance](#) on our website portal for when auditors of incorporated societies need to file their modified audit reports with us. This position was agreed with the Registrar of Incorporated Societies. For the purposes of filing modified audit reports of incorporated societies with the XRB, societies must have the following characteristics:
- (a) be registered under the Incorporated Societies Act 2022. This includes those societies who are also registered charities, and
 - (b) if in each of the 2 preceding accounting periods of the society, the total operating expenditure of the society and all entities it controls (if any) is \$3 million or more.

Recommendations

12. We recommend that the Board AGREES that there are no implications for the auditing and assurance standards from the modified audit reports received from October 2024 to September 2025.
13. We recommend that the Board NOTES the updated modified audit report policy.

Material presented

- Board meeting summary paper
- Memorandum – application of the modified audit reports policy
- Memorandum – new policy
- Updated XRB policy on modified audit reports, 2025
- Supplementary: Current XRB policy on modified audit reports, 2016

Memorandum

To: NZASB Members and NZAuASB Members

Meeting date: October 2025

Subject: **Application of the Modified Audit Report Policy**

Date: 19 September 2025

Prepared by: Alex Stainer and Bruce McNiven

☒ **Action Required** ☐ **For Information Purposes Only**

Purpose and introduction

1. The purpose of this paper is to inform the Boards of the modified audit reports received in the 12-month period from 1 October 2024 to 30 September 2025 and to consider whether there are any implications for the accounting standards or the auditing and assurance standards.
2. Modified audit reports are received from auditors who are required to submit modified audit reports to the XRB under the Companies Act 1993, the Financial Markets Conduct (FMC) Act 2013¹ and the Incorporated Societies Act 2022. The FMC Act has also been amended² to require modified assurance reports of mandatory GHG emissions disclosures and climate statements to be sent to the XRB (and other specified parties).
3. The recent legislative changes arising from the introduction of the Incorporated Societies Act 2022 and the amended FMC Act mean the scope of modified audit reports sent to the XRB has increased since the XRB policy for Modified Audit Reports was last revised. Accordingly, we have updated the policy for these references, and as it was last revised in 2016, more broadly reviewed the policy to ensure it remains fit for purpose.
4. We have not made any substantial revisions to the policy that alter our approach to reviewing the modified audit reports sent to the XRB, and as such, we have proceeded with our usual review as presented in this paper. The Policy is included in the board papers (supporting papers), and a summary of the revisions made to the policy are also included – along with our recommendation that each Board notes the revised policy.
5. During the period, we have only received modified audit reports of financial statements under the Companies Act and FMC Act.

Recommendation

6. We recommend that, from the modified audit reports received in the 12 months from 1 October 2024 to 30 September 2025:

¹ Our legislative mandate does not extend to reviewing modified audit reports for Public Sector Entities and Charities.

² [Financial Sector \(Climate-related Disclosures and Other Matters\) Amendment Act 2021](#)

- (a) The NZASB Board **AGREES** that there are no current implications for the accounting standards.
- (b) The NZAuASB Board **AGREES** that there are no current implications for the auditing and assurance standards.

Background

7. The Companies Act 1993³, Incorporated Societies Act 2022⁴ and the Financial Markets Conduct Act 2013⁵ require an auditor to send a copy of the audit report, and a copy of the financial statements or group financial statements, to the XRB (and other specified parties) if the financial reporting requirements of those Acts have not been complied with.
8. The **current** Modified Audit Reports Policy (the “Policy”, dated 2016) sets out the processes to be followed by the XRB Board and its sub-Boards, the NZASB and the NZAuASB, in respect of such audit reports. The Policy also applies when modified audit reports are referred to the XRB by any other party.
9. The key aspects of the Policy in respect to the Boards’ review in respect of financial statements are as follows:
 - (a) For the NZASB – focus on modified audit opinions in relation to material misstatements in the financial statements.
 - (b) For the NZAuASB – focus on modified audit opinions in relation to when the auditor has been unable to obtain sufficient audit evidence.
 - (c) For both Boards – consider implications for the relevant standards by ensuring that the modified audit opinions do not raise any potential issues about the appropriateness, applicability, clarity and/or completeness of the relevant standards.
10. The SRB is being updated in a separate memo that no modified assurance reports over GHG emissions disclosures have been received.
11. No action needs to be taken by the Boards if the modification of the audit opinion results from non-compliance by an entity of an otherwise appropriate standard. Non-compliance is a matter for the appropriate regulator.

Modified audit reports received in the review period

12. The current review period is 12 months from 1 October 2024 to 30 September 2025. During the review period of 1 October 2024 to 30 September 2025, we received 11 modified audit reports. Because this agenda paper will be sent to the Board before 30 September, we will provide a verbal update to the board if there are any reports received between the date of this memo and 30 September.
13. Based on a period end of 30 September, we have provided below the statistics on the audit reports received by quarter over the past 3 years.

Quarter received	OCT- DEC	JAN- MAR	APR- JUN	JUL-SEP	TOTAL
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³ [Section 207C](#)

⁴ [Section 107](#)

⁵ [Section 461G](#)

Period	Quarter 1	Quarter 2	Quarter 3	Quarter 4	
Oct 2024 - Sep 2025	1	3	5	2	11
Oct 2023 - Sep 2024	4	1	4	2	11
Oct 2022 - Sep 2023	8	2	4	5	19
TOTAL	13	6	13	9	41

14. Further analysis follows:

Act report is received under	Under section 461G(2) of the Financial Markets Conduct Act 2013	Under section 207C of the Companies Act 1993	TOTAL
Oct 2024 – Sep 2025	6	5	11
Oct 2023 - Sep 2024	3	8	11
Oct 2022 - Sep 2023	2	17	19
TOTAL	11	30	41

15. The modified audit reports received include those audit reports (and accompanying financial statements) that have been uploaded directly to the XRB website. Over the previous two years we have been encouraging practitioners to upload to our website, rather than email or post. No reports were received via post during the period under review.
16. We have engaged with the FMA and the Companies Office to share information on modified audit reports received, to ensure we have a complete set of modified audit reports (as some entities may submit to the regulator and/or Companies Office and not the XRB even though there is a legal requirement to do so).
17. [Appendix A](#) provides a summary of the types of modified audit reports received during this review period and the main reason(s) for the modification.
18. [Appendix B](#) provides a full list of the modified audit reports received in the period, including the basis for the modification and the proposed action from the Accounting Team and the Assurance Team. In all cases the proposed action is 'None', as we have not identified any modified audit reports that indicate an issue with the accounting standards or the auditing and assurance standards.
19. [Appendix C](#) provides a 5-year summary of the types of modified audit reports received.

Current review period observations

20. In the current review period, of the 11 modified audit reports received:

- (a) four of the modifications are the same as for the previous review period. This is because the reason for the modification in the previous reporting period often impacts on the next period (e.g., valuation of property, plant and equipment), or the auditor issues a modification on an ongoing matter for which they are unable to obtain

sufficient appropriate audit evidence (e.g., where a client is unwilling to undertake impairment testing).

- (b) there was one adverse opinion on going concern (none in the previous years), and two disclaimer of opinions on going concern.
- (c) one was a disclaimer over accounting records, likely due to the organisation being audited for the first time.
- (d) the other three modifications related to qualified opinions on revenue recognition, valuation of biological assets, and valuation of a cash-generating-unit.

No current implications for the accounting standards

21. The Accounting Team's review has not identified any current implications for the accounting standards from the modified audit reports received from 1 October 2024 to 30 September 2025.

No implications for the auditing and assurance standards

22. The Assurance Team's review has not identified any current implications for the auditing and assurance standards from the modified audit reports received from 1 October 2024 to 30 September 2025.

Question for the NZASB Board

Q1A. Does the NZASB Board **AGREE** that there are no current implications for the accounting standards from the modified audit reports received from 1 October 2024 to 30 September 2025?

Question for the NZAuASB Board

Q1B. Does the NZAuASB Board **AGREE** that there are no current implications for the auditing and assurance standards from the modified audit reports received from 1 October 2024 to 30 September 2025?

Attachments (in supporting papers)

Modified Audit Reports Policy, 2016

Appendix A – Summary of modified audit reports received in the review period 1 October 2024 to 30 September 2025

The table below displays the types of modified audit reports received across the following three review periods:

A: 1 October 2024 to 30 September 2025

B: 1 October 2023 to 30 September 2024

C: 1 October 2022 to 30 September 2023

Modification in relation to:	Adverse opinion			Disclaimer of opinion			Qualified opinion		
	Financial statements are materially misstated			Unable to obtain sufficient appropriate audit evidence			Unable to obtain sufficient appropriate audit evidence		
Review period:	A	B	C	A	B	C	A	B	C
Service Performance Information	–	–	–	–	–	–	1	1	1
Accounting records	–	–	–	1	–	–	–	–	–
Opening balances - unaudited	–	–	–	–	–	1	–	1	–
Going concern	1	–	–	2	2	2	–	–	–
Valuation of inventory, including Opening balances - inventory	–	–	–	–	–	1	–	3	4
Valuation of receivables or WIP	–	–	–	–	–	–	–	–	1
Valuation of property, plant and equipment, including investment property	–	–	–	–	–	–	2	3	5
Valuation of share investments	–	–	–	–	–	–	–	1	–
Accounting of Investments in Associates and Joint Ventures	–	–	–	–	–	2	–	–	4
Accounting of shares (liabilities or equity)	–	–	–	–	–	1	–	–	–
Valuation of biological assets or forestry assets	–	–	–	–	–	–	2	1	1
Carrying amount of goodwill and other indefinite life intangibles	–	–	–	–	–	–	1	1	–

Valuation of related party advances	–	–	–	–	–	–	1	–	–
Valuation of cash-generating unit (division)	–	–	–	1	–	1	–	–	–
Accounting for the acquisition of a business combination	–	–	–	–	–	1	–	–	–
Valuation of taxation balances	–	–	–	–	–	1	–	–	–
Share-based compensation	–	–	–	–	–	–	–	–	–
Revenue and accrued revenue recognition	–	–	–	–	1	–	1	–	–
Sub-total	1	–	–	4	3	10	8	11	16
TOTAL							13⁶	14⁷	26⁸

⁶ 11 audit reports received in this period, in one instance (#496) there is more than one reason for the modification.

⁷ 11 audit reports received in the period, but in three instances (#468, #471, and #480) there is more than one reason for the modification.

⁸ 19 audit reports received in the period, but in three instances (#456, #462, and #464) there is more than one reason for the modification.

Appendix B —Modified audit reports received in the review period

This is a high-level summary of the modified audit reports that we have received.

	Industry Balance date (BD) Audit report (AR) date	Type of modified audit opinion – summary	Accounting standard(s) affected	Same reason as previous year?	Proposed action - NZASB	Proposed action - NZAuASB
1.	483 Development and production of pharmaceuticals BD: 30-Jun-24 AR: 30-Sep-24	Disclaimer of opinion <ul style="list-style-type: none"> Going concern: <i>Unable to obtain sufficient appropriate audit evidence to form an opinion as to whether the application of the going concern assumption is appropriate.</i> XRB staff note – Management disclosures in relation to the material uncertainties around going concern were included in the financial statements and referred to by the auditor in the auditor's report.	N/A	N/A – New this year	None. No issues identified with accounting standards.	None. No issues identified with assurance standards. XRB staff note – the going concern standard has just been revised, which will impact disclosures in the audit report.
2.	484 Operating saleyards for livestock trading BD: 30-Jun-24 AR: 6-Dec-24	Qualified opinion <ul style="list-style-type: none"> Revenue: <i>Yard fee revenue is based upon quantity of livestock sold - Unable to obtain sufficient appropriate audit evidence about the completeness of the quantity of livestock sold and yard fees invoiced.</i> 	NZ IFRS 15 <i>Revenue from Contracts with Customers</i>	N/A – New this year	None. No issues identified with accounting standards.	None. No issues identified with assurance standards.
3.	486 Tulip bulb cultivator BD: 30-Jun-24 AR: 21-Feb-25	Qualified opinion <ul style="list-style-type: none"> Opening balance: Valuation of biological assets: <i>Unable to verify opening balance of quantity of bulbs at 1-Jul-23.</i> 	NZ IAS 41 <i>Agriculture</i>	Yes – carry forward of LY closing balance qualified opinion	None. No issues identified with accounting standards.	None. No issues identified with assurance standards.
4.	489 Land ownership company BD: 31-Dec-24	Qualified opinion <ul style="list-style-type: none"> Valuation of investment property (forestry assets): <i>Unable to obtain sufficient appropriate audit evidence to provide assurance over the estimated future NZ</i> 	NZ IFRS 13 <i>Fair Value Measurement</i>	Yes – same issue as in previous year	None. No issues identified with	None. No issues identified with

	Industry Balance date (BD) Audit report (AR) date	Type of modified audit opinion – summary	Accounting standard(s) affected	Same reason as previous year?	Proposed action - NZASB	Proposed action - NZAuASB
	AR: 27-Mar-25	<i>emission units prices which form a significant part of the valuation of the forestry assets.</i>			accounting standards.	assurance standards.
5.	490 Farming and livestock operation BD: 31-Dec-24 AR: 13-May-25	Qualified opinion <ul style="list-style-type: none"> Opening and closing balance of livestock quantities: <i>Unable to verify opening and closing livestock counts at both 31 December 2023 and 31 December 2024.</i> 	NZ IAS 41 <i>Agriculture</i>	N/A – New this year	None. No issues identified with accounting standards.	None. No issues identified with assurance standards. XRB staff note - the IAASB is planning on revising the audit evidence standards, including stock take.
6.	491 Development and production of natural nutritional ingredients BD: 31-Dec-24 AR: 5-Jun-25	Adverse opinion <ul style="list-style-type: none"> Going concern: <i>Auditor disagrees with management's assessment that the entity is a going concern due to the success of management's mitigation actions not being determinable.</i> XRB staff note – Management disclosures in relation to the material uncertainties around going concern were included in the financial statements and referred to by the auditor in the auditor's report.	N/A	N/A – New this year	None. No issues identified with accounting standards.	None. No issues identified with assurance standards.
7.	492 Mining operation BD: 31-Mar-25 AR: 25-Jun-25	Disclaimer of opinion <ul style="list-style-type: none"> Impairment: <i>Unable to obtain sufficient appropriate audit evidence of the recoverable amount of capitalised mine development and exploration expenditure.</i> 	NZ IAS 36 <i>Impairment of Assets</i>	N/A – New this year	None. No issues identified with accounting standards.	None. No issues identified with assurance standards.

	Industry Balance date (BD) Audit report (AR) date	Type of modified audit opinion – summary	Accounting standard(s) affected	Same reason as previous year?	Proposed action - NZASB	Proposed action - NZAuASB
8.	493 Vineyard and other manufacturing operations BD: 31-Mar-25 AR: 30-Jun-25	Disclaimer of opinion <ul style="list-style-type: none"> Going concern: <i>Unable to obtain sufficient appropriate audit evidence to form an opinion as to whether the application of the going concern assumption is appropriate.</i> XRB staff note – Management disclosures in relation to the material uncertainties around going concern were included in the financial statements and referred to by the auditor in the auditor's report.	N/A	N/A – New this year	None. No issues identified with accounting standards.	None. No issues identified with assurance standards.
9.	494 AI/Logistics/Education BD: 31-Mar-25 AR: 30-Jun-25	Qualified opinion <ul style="list-style-type: none"> Goodwill – opening balance: <i>A previous business combination that recorded goodwill was disposed of during the year, but opening balances of goodwill relating to the calculation of the deferred consideration and the assessment of goodwill impairment involved a number of subjective assumptions relating to the future performance of the subsidiary and the resulting impact of this performance on the share price of the Group. Auditor unable to obtain sufficient appropriate audit evidence to provide assurance over these assumptions due to their subjective nature and was unable to determine whether adjustments might have been necessary in the profit or loss and other comprehensive income.</i> 	NZ IFRS 13 <i>Fair Value Measurement</i> NZ IFRS 3 <i>Business Combinations</i> NZ IAS 36 <i>Impairment of Assets</i>	Yes – related to basis of qualification from the previous year	None. No issues identified with accounting standards.	None. No issues identified with assurance standards.
10.	495 Provision of cross-border and domestic financial services BD: 31-Mar-24 AR: 29-Aug-25	Disclaimer of opinion <ul style="list-style-type: none"> Accounting records: Unable to perform adequate procedures to obtain sufficient appropriate audit evidence due to accounting records not providing sufficient detail of the individual transactions recorded against the Branch. 	NZ IAS 1 <i>Presentation of Financial Statements</i>	N/A – New this year	None. No issues identified with accounting standards.	None. No issues identified with assurance standards.

Industry Balance date (BD) Audit report (AR) date	Type of modified audit opinion – summary	Accounting standard(s) affected	Same reason as previous year?	Proposed action - NZASB	Proposed action - NZAuASB
11. 496 Council controlled organisation BD: 30-Jun-24 AR: 30-Sep-24	Qualified opinion on the Financial Statements and Service Performance Information <ul style="list-style-type: none"> Valuation of related party advances: Related party advances were not measured at fair value. Valued using amortised costs but should be measured at fair value through profit or loss, which is a departure from the requirements of NZ IFRS 9. Valuation of property, plant and equipment - No impairment testing: The Group is designated for-profit for accounting purposes. One of the subsidiaries is a public benefit entity (PBE). The subsidiary has concluded, under PBE accounting standards, that certain PP&E assets (held for operational purposes) are not impaired. However, the Group is a for-profit entity, which requires it to assess the value of the assets on a commercial basis to determine whether there is an impairment under NZ IAS 36 (as there is an indicator of impairment) – this was not done by the Group. Lack of supporting evidence for SPI: Limited evidence to support the “Shareholder’s funds to total assets” and “Net profit after tax” performance measures. 	NZ IFRS 9 <i>Financial Instruments</i> NZ IAS 36 <i>Impairment of Assets</i> PBE FRS 48 <i>Service Performance Reporting</i>	New qualification this year over related party advances. Other 2 reasons the same.	None. No issues identified with accounting standards. However, we are aware that such mixed group issues will continue.	None. No issues identified with assurance standards. XRB staff note - a separate project is underway on SPI reporting and assurance.

(Numbers 485, 487, 488 were used for internal purposes, to test the database)

Appendix C

5-year summary view

Modification	2021 1-Jan-21 – 30-Nov-21	2022 1-Dec-21 - 30-Sep-22	2023 1-Oct-22 – 30-Sep-23	2024 1-Oct-23 – 30- Sep-24	2025 1-Oct-24 – 30-Sep-25
Service Performance Information	-	-	1	1	1
Accounting records	5	1	-	-	1
Opening balances - unaudited	-	-	1	1	-
Going concern	3	5	2	2	3
Valuation of inventory	3	3	5	3	-
Valuation of receivables or WIP	-	2	1	-	-
Valuation of PPE including investment property	1	5	5	3	2
Accounting of Investments in Associates and Joint Arrangements	-	1	6	-	-
Valuation of biological assets	-	-	1	1	2
Carrying amount of goodwill and other indefinite life intangibles	2	1	-	1	1
Valuation of cash-generating-unit	-	-	1	-	1
Revenue and accrued revenue recognition	-	-	-	1	1
Other	-	7	3	1	1
Total modifications	14	25	26	14	13
Total modified audit reports	12	14	19	11	11

[Summary based on periods XRB collated these reports for. This view is intended to show any trends for modifications. 'Other' includes a range of modifications which are infrequent and do not have more than 1 or 2 instances over the last 5 years. We aligned our reporting period with year-end 30 September in 2022]

Memorandum

To: NZASB Members, SRB Members and NZAuASB Members

Meeting date: October 2025

Subject: **Revision to the Modified Audit Report Policy**

Date: 19 September 2025

Prepared by: Alex Stainer and Bruce Mcniven

☐ **Action Required** ☒ **For Information Purposes Only**

Purpose

1. To inform the NZASB, SRB and the NZAuASB of the key changes made to the draft Modified Audit Reports Policy (the policy).

Recommendation

2. We recommend that the Boards **NOTE** the updated draft policy.

Background

3. The Companies Act 1993, and Financial Markets Conduct Act 2013 and the Incorporated Societies Act 2022 require an auditor or assurance practitioner to send a copy of the audit report or assurance report, along with copies of the financial statements or climate statements, to the XRB and other specified parties if the report indicates non-compliance i.e. a 'modified opinion' or 'modified conclusion'. This policy sets out the processes that the XRB and technical boards will follow when received by the XRB.
4. The Modified Audit Reports Policy has been updated to reflect legislative changes including the Incorporated Societies Act 2022 and amendments to the Financial Markets Conduct (FMC) Act. These changes expand the scope of modified reports submitted to the XRB to include modified audit reports of Incorporated Societies, and modified assurance reports over Greenhouse Gas (GHG) emission disclosures. Collectively they are referred to as modified reports.
5. Our website has been updated to enable the new types of modified reports to be received through the portal.
6. We welcome any feedback on this draft policy. The XRB Board will approve the policy at a future meeting.

Key changes to the policy

7. We have not made any substantial revisions to the policy that alter our approach to reviewing the modified reports sent to the XRB. However, there are some aspects to the policy document that have been modified:

8. **Legislative updates and expanded scope:** The policy now reflects the introduction of the Incorporated Societies Act 2022 and amendments to the Financial Markets Conduct (FMC) Act 2013, which expand the scope of modified reports required to be submitted to the XRB.
9. **Clarified responsibilities:** Rather than long detailed explanations, we have simplified the technical boards responsibilities into a table and chart.
10. **New responsibilities for the SRB:** Because modified assurance reports over GHG disclosures in climate reporting entities' climate statements are now required to be filed with the XRB, the SRB is now responsible for considering modified reports in respect of those GHG disclosures in climate statements, with a focus on material misstatements in the GHG disclosures in the climate statements.
11. **Updated responsibilities for the NZAuASB:** The NZAuASB is responsible for considering modified reports in respect of both financial statements and the GHG disclosures in climate statements, focusing on any issues, trends or themes arising from modifications relevant to the assurance standards.
12. **Updated responsibilities for the NZASB:** The NZASB is now also responsible for considering modified reports in respect of incorporated societies.
13. **All Boards** will consider the modified reports as part of their wider environmental scanning. Noting any themes, or common issues or trends, particularly if there are substantive issues that relate to the standards themselves, or any indication that guidance may be needed in those areas.

Attachments

- XRB Policy when modified audit and assurance reports are received, October 2025
- External Reporting Board Policy for dealing with audit reports received under the Companies Act 1993 and the Financial Markets Conduct Act 2013, September 2016

October 2025

XRB Policy when modified audit and assurance reports are received

Purpose of the Policy

1. The Companies Act 1993¹, the Financial Markets Conduct Act 2013 (FMCA 2013)² and the Incorporated Societies Act 2022³ require an auditor to send⁴ a copy of the audit report, along with the financial statements or group financial statements, to the External Reporting Board (XRB), and other specified parties⁵, if the auditor's report indicates that the financial reporting requirements of the respective Acts have not been complied with, i.e. the auditor's report contains a 'modified opinion'.
2. The FMCA 2013⁶ requires assurance practitioners to send a copy of the assurance report, along with a copy of the climate statements or group climate statements, to the XRB and other specified parties, if the assurance practitioner's report indicates that the climate reporting requirements of the FMCA 2013 have not been complied with, i.e. the assurance report contains a 'modified conclusion'.
3. Currently, these Acts are silent on the purpose of the provisions and on the actions, if any, that the XRB (and the other specified parties) must take when it receives the modified audit reports or modified assurance practitioner's reports (modified reports).
4. This Policy sets out the processes that the Board of the XRB and its technical boards, the New Zealand Accounting Standards Board (NZASB), the New Zealand Auditing and Assurance Board (NZAuASB) and the Sustainability Reporting Board (SRB), will follow when modified reports are sent to the XRB by auditors⁷. The Policy also applies when audit reports are shared with the XRB by the FMA, the Companies Office, or the Incorporated Societies Registrar

¹ Section [207C](#)

² Section [461G](#)

³ Section [107](#)

⁴ Auditors can do this via our portal, via email or post.

⁵ Other specified parties include the Financial Markets Authority (FMA), the Registrar of Companies and the Supervisor if the reporting entity is an issuer of debt securities or a manager of a registered scheme.

⁶ Section [461ZHB](#)

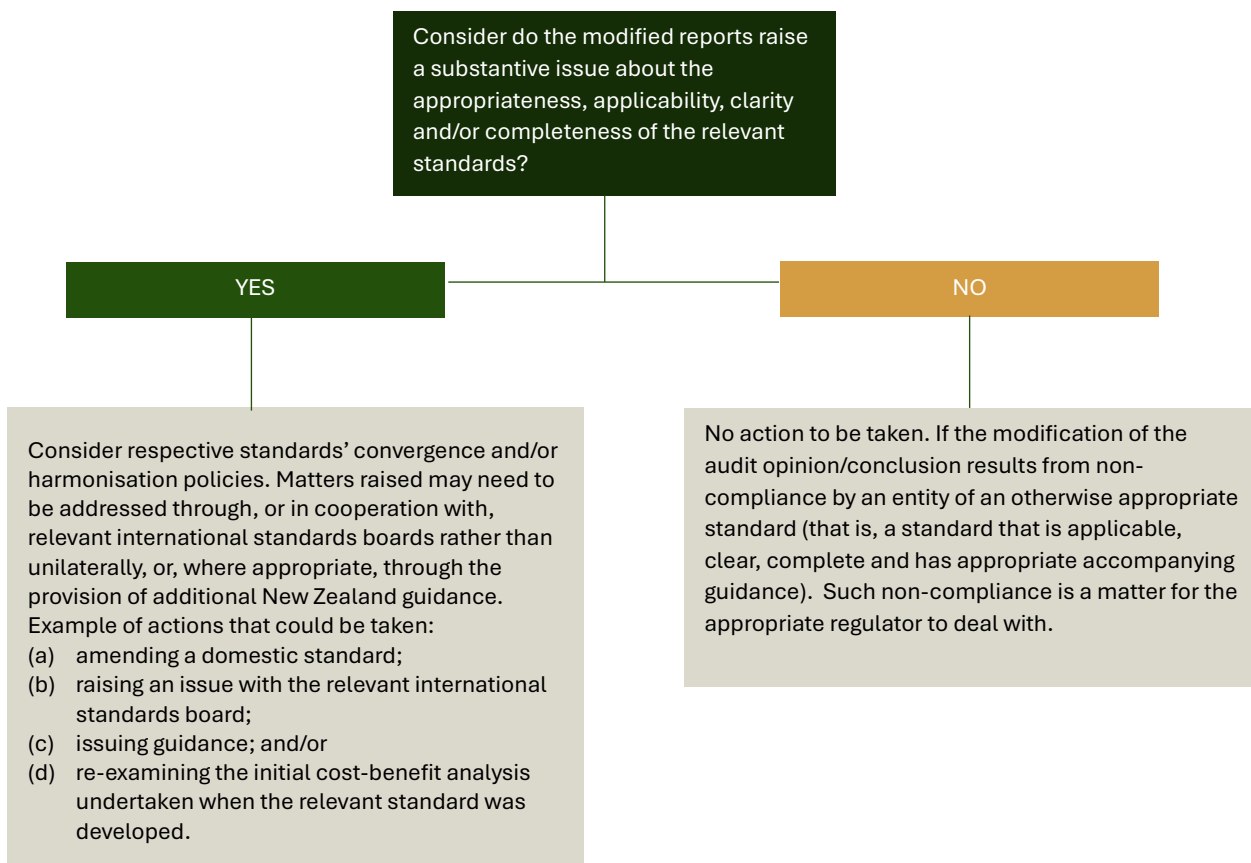
⁷ For the purposes of this policy, auditor also means assurance practitioner.

Policy⁸

5. Modified reports will be considered by the technical boards as follows:

Technical board:	NZAuASB	NZASB	SRB
Consider modified report in respect of:	Financial statements and assurance of GHG disclosures in climate statements	Financial statements	GHG disclosures in climate statements
Focus on modified reports in relation to:	Any issues, trends or themes arising from the modifications, relevant to the assurance standards	Material misstatements in the financial statements, and the accounting standard(s) affected.	Material misstatements in the GHG disclosures in the climate statements.

6. All Boards will consider the modified reports as part of their wider environmental scanning. Noting any themes, or common issues or trends, particularly if there are substantive issues that relate to the standards themselves. If so, the following chart sets out the actions to be taken by each technical board:



7. Where issues or trends are noted that relate to the XRB strategy, these will be referred to the XRB Board for consideration.

⁸ The Background and Basis for the Policy is set out in Appendix 1.

8. The actions that the XRB Board may take include, for example:
 - (a) considering the XRB strategy and/or standards frameworks;
 - (b) referring a matter to an appropriate party for their further action (for example, the regulators and/or policy makers);
 - (c) referring a matter to the appropriate professional body after consultation with the regulators (for example in the rare and unusual circumstance where an audit qualification was considered to be incorrect);
 - (d) engaging with or liaising with policy makers and/or regulators;
 - (e) engaging with relevant organisations or industries directly and after consultation with the regulators, to determine the cause of the non-compliance, before taking any further action (for example, where the modified report indicate a trend of persistent non-compliance by a particular industry or with a particular standard); and/or
 - (f) engaging with auditors, or assurance practitioners, on their duties under the relevant Act to send modified reports to the XRB.
9. In each instance before the XRB Board takes any action, it would, where necessary, liaise with the regulators and/or policy makers.

Review of this Policy

10. This Policy will be reviewed every three years to ensure that it remains appropriate.

Appendix 1: Background and Basis for the Policy

What type of audit opinions or assurance conclusions are we concerned with?

1. This policy is concerned with modified audit opinions or modified assurance conclusions that in the context of the requirements in primary legislation are sent to the XRB.
2. Audit reports of financial information may contain an unmodified audit opinion (unqualified opinions) or a modified audit opinion (qualified opinion, adverse opinion or disclaimers of opinion). Similarly, assurance practitioner reports in respect of the GHG disclosures in the climate statements may also contain an unmodified (unqualified) conclusion or a modified assurance conclusion (qualified conclusion, adverse conclusion or disclaimer of conclusion).
3. To understand when and why audit opinions or assurance conclusions may be modified, it is important to first consider the concept of “fair presentation” as it applies across financial statements and climate-related disclosures:
 - **Accounting standards** require financial statements to present fairly the financial position, financial performance and cash flows of an entity. There is a presumption in accounting standards that application of applicable financial reporting standards, with additional disclosures when necessary, results in financial statements that achieve such a fair presentation⁹. In auditing standards¹⁰, the recognition of this presumption requires the financial reporting framework that is used to be a “fair presentation framework”. Auditing standards acknowledge that in complying with a fair presentation framework, additional disclosures may sometimes be necessary and, in extremely rare circumstances, departures may also be necessary.
 - **Aotearoa New Zealand Climate Standards (NZ CS)** require an entity to fairly present its climate-related disclosures¹¹. There is a presumption in NZ CS that applying NZ CS is presumed to result in climate-related disclosures that achieve a fair presentation. When compliance with the specific requirements in NZ CS is insufficient to show a fair presentation, additional disclosures must be provided¹².
4. The XRB interest (and ability to take some action) is less likely in relation to the audit reports received that cover modifications that arise from “a limitation on the scope of an audit”. This is because these are often more likely to arise from “practical” issues and are often less likely to arise as a direct result of applying, or not applying, XRB standards or the XRB strategy. Therefore, the XRB is less likely to need to modify XRB standards or the XRB strategy or take other action (for example, issuing further guidance) in response to this type of modified report.
5. Nevertheless, limitations imposed by management may be related to, for example, the governing body considering that an accounting standard requirement is not practicable. Similarly, while auditors not complying with auditing and assurance standards falls, *prima facie*, within the role of the regulator to take action (rather than within the role of the XRB), such non-compliance may indicate that further guidance is required.

As such, for the purpose of this policy, all modified reports will be considered to determine if any action is required by either the XRB or its technical boards.

⁹ NZ IAS 1 *Presentation of Financial Statements* and PBE IPSAS 1 *Presentation of Financial Statements*. From 1 Jan 2027: NZ IFRS 18 *Presentation and Disclosure in Financial Statements* supersedes NZ IAS 1.

¹⁰ ISA (NZ) 700 (Revised) *Forming an Opinion and Reporting on Financial Statements*.

¹¹ <https://standards.xrb.govt.nz/standards-navigator/nz-cs-3/#6>

¹² <https://standards.xrb.govt.nz/standards-navigator/nz-cs-3/#7>

When can an audit or assurance report be modified?

6. Auditing standards set out the types of modified reports and the circumstances when a modified report is required. An auditor is required to modify the opinion in the audit report when:
 - (a) The auditor concludes that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement; or
 - (b) The auditor is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement.
7. A material misstatement of the financial statements, based on the audit evidence obtained, may arise in relation to:
 - (a) The appropriateness of the selected accounting policies;
 - (b) The application of the selected accounting policies; or
 - (c) The completeness, accuracy and presentation of disclosures in the financial statements.
8. A material misstatement of the GHG emissions disclosures in the climate statements, based on the audit evidence obtained, may arise in relation to:
 - (a) Appropriateness or application of selected methodology; or
 - (b) Appropriate evaluation of the GHG emissions disclosures in the climate statements.
9. A material misstatement of the financial statements or climate statements, based on an auditor's inability to obtain sufficient appropriate audit evidence (also referred to as "a limitation on the scope of the audit"), may arise in relation to:
 - (a) Circumstances beyond the control of the entity;
 - (b) Circumstances relating to the nature or timing of the auditor's work; or
 - (c) Limitations imposed by management.

What entities and standards are involved?

10. The Companies Act 1993 covers all companies incorporated under that Act. These may be for-profit companies or companies that are public benefit entities (PBEs). The Act only requires certain companies to prepare financial statements in line with GAAP, or to have their financial statements audited.
11. The Financial Markets Conduct Act 2013 covers FMC reporting entities and climate reporting entities (FMC reporting entities with higher levels of public accountability). These may be entities under any organisational structure (companies, credit unions, building societies, etc.).
12. The Incorporated Societies Act 2022 covers all societies incorporated under that Act. The Act only requires certain societies to prepare financial statements in line with GAAP, or to have their financial statements audited.
13. Entities under these Acts that have their financial statements or climate statements audited or assured may be subject to the following accounting standards and where applicable the following climate standards:
 - (a) For-profit Tier 1 or Tier 2¹³; or

¹³ A Tier 2 for-profit entity that is not an FMC reporting entity may opt out of the audit requirements.

- (b) PBE Tier 1, Tier 2 or Tier 3¹⁴, or/and
- (c) Aotearoa New Zealand Climate Standards.

Legislative provisions

Companies Act 1993

14. Part 11 of the Companies Act 1993 specifies, among other matters, the requirements for a company's financial reporting and audit of its financial statements. It specifies the companies that must prepare financial statements, and that those financial statements must comply with generally accepted accounting practice (GAAP)¹⁵. Part 11 also specifies whose financial statements must be subject to audit and that the audit must be carried out in accordance with applicable auditing and assurance standards¹⁶. GAAP, and applicable financial reporting standards are defined in the Companies Act 1993 by reference to the Financial Reporting Act 2013. GAAP, applicable financial reporting standards in the Financial Reporting Act 2013 refer to standards issued by the XRB¹⁷.
15. Within Part 11, section 207C of the Companies Act 1993 provides that the auditor's report of a company must be sent to the Registrar of Companies and the XRB if the requirements of the Companies Act 1993 have not been complied with:

"If the auditor's report indicates that the requirements of this Act have not been complied with, the auditor must, within 7 working days after signing the report, send a copy of the report and a copy of the financial statements or group financial statements to which it relates to the Registrar and the External Reporting Board".
16. In the context of the requirements of Part 11 of the Companies Act 1993 the reference to non-compliance with "*the requirements of this Act*" in section 207C is read to mean non-compliance with applicable financial reporting standards.

Financial Markets Conduct Act 2013

In respect of financial statements

17. Part 7 of the Financial Markets Conduct Act 2013 sets out the financial reporting requirements of an "FMC reporting entity"¹⁸, including the requirements for the preparation¹⁹ and audit of the financial statements²⁰. Financial statements of an FMC reporting entity must comply with GAAP²¹ and the audit of those financial statements must comply with applicable auditing and assurance standards²².
18. Similar to the Companies Act 1993, GAAP and applicable financial reporting standards are defined in the Act by reference to the Financial Reporting Act 2013 (and hence refer to standards issued by the XRB).

¹⁴ A Tier 4 PBE is not required under statute to have an audit. PBE standards public sector or Not-for-Profit.

¹⁵ Sections 200 – 202 of the Companies Act 1993.

¹⁶ Sections 206 – 207A of the Companies Act 1993.

¹⁷ Section 5 of the Financial Reporting Act 2013.

¹⁸ The meaning of an "FMC reporting entity" is set out in section 451 of the Financial Markets Conduct Act 2013.

¹⁹ Sections 460 – 461 of the Financial Markets Conduct Act 2013.

²⁰ Section 461D of the Financial Markets Conduct Act 2013.

²¹ Sections 460 – 461 of the Financial Markets Conduct Act 2013.

²² Sections 461F – 461G of the Financial Markets Conduct Act 2013.

19. Within Subpart 3 *Preparation, audit, and lodgement of financial statements* of Part 7 of the Financial Markets Conduct Act 2013, section 461G on the auditor's report states:
- (1) The auditor's report on the financial statements or group financial statements that are required to be audited under this subpart must comply with the requirements of all applicable auditing and assurance standards.
 - (2) If the auditor's report indicates that the requirements of this Part have not been complied with, the auditor must, within 7 working days after signing the report, send a copy of the report, and a copy of the financial statements or group financial statements to which it relates, to—
 - (a) the FMA; and
 - (b) the External Reporting Board; and
 - (c) in the case of an issuer of debt securities or a manager of a registered scheme, the supervisor.
20. In the context of the requirements of Subpart 3 of Part 7 of the Financial Markets Conduct Act 2013 about the financial statements, and the audit of an FMC reporting entity's financial statements, the reference to non-compliance with "*the requirements of this Part*" in section 461G is read to mean non-compliance with the applicable financial reporting standards.

In respect of climate statements

21. Part 7A of the Financial Markets Conduct Act 2013 sets out the requirements for climate-related disclosures for "climate reporting entities" who are certain FMC reporting entities with a higher level of public accountability²³. Part 7A also includes requirements for the assurance of greenhouse gas (GHG) emissions disclosures in the climate statements (or any other part that may voluntarily be subject to an assurance engagement)²⁴. Climate statements of a climate reporting entity must comply with the climate related disclosure framework²⁵ and the assurance of those relevant parts of the climate statements must comply with applicable auditing and assurance standards²⁶.
22. Climate statements, climate-related disclosure framework, applicable climate standard and assurance practitioner are defined in the Act by reference to the Financial Reporting Act 2013. Climate reporting entity is defined within the Financial Markets Conduct Act 2013²⁷.
23. Within Subpart 4 *Assurance engagements* of Part 7A of the Financial Markets Conduct Act 2013, section 461ZHB on the assurance practitioner's report states:
- (1) The assurance practitioner's report on the climate statements or group climate statements prepared by an entity under any of sections 461Z to 461ZC must comply with the requirements of all applicable auditing and assurance standards.
 - (2) If the assurance practitioner's report indicates that the requirements of this Part have not been complied with, the assurance practitioner must, within 20 working days after signing the report, send a copy of the report, and a copy of the climate statements or group climate statements to which it relates, to—
 - (a) the FMA; and
 - (b) the External Reporting Board; and
 - (c) in the case of a climate reporting entity that is an issuer of debt securities or a manager of a registered scheme, the supervisor.

²³ Section 461K outlines those FMC reporting entities considered to have a higher level of public accountability

²⁴ Section 461ZH and Section 461ZHC

²⁵ Section 461Z -461ZC

²⁶ Section 461ZHA

²⁷ Section 461O

- (3) An assurance practitioner who contravenes subsection (2) commits an offence and is liable on conviction to a fine not exceeding \$50,000.

24. In the context of the requirements of Subpart 4 of Part 7A of the Financial Markets Conduct Act 2013 about the climate statements, and the assurance of the applicable parts of an FMC reporting entity's climate statements, the reference to non-compliance with "*the requirements of this Part*" in section 461ZHB(2) is read to mean non-compliance with the requirements stated in sections 461Z to 461ZC which refers to the climate-related disclosure framework.

Incorporated Societies Act 2022

25. Part 3 of the Incorporated Societies Act 2022, subpart 7, specifies among other matters, the requirements for an incorporated society's financial reporting and audit of its financial statements. It specifies those incorporated societies' financial statements that must comply with GAAP or a non-GAAP standard²⁸. Subpart 7 also specifies whose financial statements must be subject to audit (with reference to the Incorporated Societies Regulations 2023) and that the audit must be carried out in accordance with applicable auditing and assurance standards²⁹. GAAP and non-GAAP standards are defined in the Incorporated Societies Act 2022 by reference to the Financial Reporting Act 2013.

26. In Part 3 of the Incorporated Societies Act 2022, section 107 provides that the auditor's report of an incorporated society must be sent to the Registrar of Incorporated Societies and the XRB if the requirements of the Incorporated Societies Act 2022 have not been complied with:

"If the auditor's report indicates that the requirements of this Act have not been complied with, the auditor must, within 7 working days after signing the report, send a copy of the report and a copy of the financial statements to which it relates to the Registrar and the External Reporting Board".

27. In the context of the requirements of Part 3 of the Incorporated Societies Act 2022, the reference to non-compliance with "*the requirements of this Act*" in section 107 is read to mean non-compliance with GAAP.

28. The requirement for auditors of incorporated societies to submit modified reports applies only to those incorporated societies registered under the Incorporated Societies Act 2022 and includes those that are also registered charities. For the purposes of filing with the XRB, the threshold for this requirement is: if in each of the 2 preceding accounting periods of the society, the total operating expenditure of the society and all entities it controls (if any) is \$3 million or more³⁰.

Functions of the XRB

29. The functions of the XRB are set out in the Financial Reporting Act 2013. Section 12 of the Financial Reporting Act 2013 provides that:

"The Board has the following functions:

- (a) to prepare and, if it thinks fit, issue financial reporting standards for the purposes of any enactment that requires—
 - (i) financial statements or group financial statements to comply, or be prepared in accordance, with generally accepted accounting practice or non-GAAP standards; or

²⁸ Section 102

²⁹ Section 105 and Section 107

³⁰ As per the Incorporated Societies Regulations 2023 (the threshold set by the Charities Act 2005 is irrelevant for purposes of filing with the XRB).

- (ii) a statement, report, or other information to comply, or be prepared in accordance, with financial reporting standards:
- (aa) to prepare and, if it thinks fit, issue climate standards for the purposes of any enactment that requires climate statements or group climate statements, or a statement, report, or other information to comply, or be prepared in accordance, with the climate-related disclosure framework:
- (b) to prepare and, if it thinks fit, issue auditing and assurance standards for—
 - (i) the purposes of the Auditor Regulation Act 2011 or any other enactment that requires a person to comply with those standards; or
 - (ii) the purposes of any rules or codes of ethics of an association of accountants where those rules or codes require the association's members to comply with those standards; or
 - (iii) any other purpose approved by the Minister by notice in writing to the Board:
- (c) to prepare and, if it thinks fit, issue authoritative notices for the purposes of—
 - (i) the definition of generally accepted accounting practice; or
 - (ii) the definition of climate-related disclosure framework:
- (d) to develop and implement strategies for the issue of standards in order to provide a framework for the Board's overall direction in the setting of standards (including implementing a strategy for tiers of financial reporting in accordance with sections 29 to 33):
- (e) to liaise with international or national organisations that perform functions that correspond with, or are similar to, those conferred on the Board:
- (f) to perform and exercise the functions, duties, and powers conferred or imposed on it by or under this Act and any other enactments.”

Interpretation of the legislative intent of the provisions in the primary legislation

30. In determining the legislative intent behind the provision for the XRB to receive modified reports, it is essential to consider the functions and role of the XRB under the Financial Reporting Act 2013.
31. The standard-setting and strategic functions of the XRB set out in the Financial Reporting Act (outlined above) are in contrast to the functions of the other specified parties. Those parties have, among other functions, regulatory powers to take enforcement action (where necessary). The functions of the XRB do not extend to the ability to take enforcement action against an entity's non-compliance with the respective Acts. Therefore, unlike the other specified parties, the XRB does not have a legislative responsibility to take any direct regulatory action or make contact with the preparers or auditors of the financial statements or climate statements about any aspect of the non-compliance.
32. Any action the XRB takes in relation to receiving the modified reports should be consistent with the XRB's role and functions.

Version control

Version	Date	Changes
1.0	5 September 2016	Board approved.
2.0	October 2025	Major revision to policy to include references to incorporated societies, climate reporting, and new technical board – Sustainability Reporting Board (SRB).

NZAuASB Board meeting summary paper

Meeting date: 8 October 2025
Subject: **ISA (NZ) for LCE**
Date: 22 September 2025
Prepared by: BM

☐ **Action Required**

☒ **For Information Purposes Only**

Agenda item objectives

1. The objective of this agenda item is to UPDATE the board on the adoption and implementation plan of the ISA (NZ) for LCE project, and the IAASB's maintenance plans of the standard.

Background

2. In August, the Board discussed the implementation plan to raise awareness and support implementation of the *International Standard on Auditing (New Zealand) for Audits of Financial Statements of Less Complex Entities (ISA (NZ) for LCE)*.

Awareness raising

3. Following the August meeting, we have, or are about to, issue:
 - (a) Short video guides on our [website](#) and YouTube: on the authority of the standard (the qualitative characteristics of the LCE), and the structure of the standard. More videos and a virtual deep-dive event are in the pipeline.
 - (b) Guidance documents: on the qualitative characteristics and illustrative audit reports.
4. The ISA (NZ) for LCE permits the auditor to refer to the description of the auditor's responsibilities via a link to the relevant page of the auditor's responsibilities on the XRB's website. Therefore, we are also working on updating our website to cater for the additional auditor's responsibilities which auditors can link to in their auditor's report.
5. We plan to promote the ISA (NZ) for LCE at the upcoming Need to Know webinar in October in addition to deep dive webinar for later in October.
6. We will continue to post videos and guides up until the end of the year.
7. IFAC plans to interview the XRB to share our experience in working through adoption in September.

Support implementation

8. We have met separately with the Office of the Auditor-General, Chartered Accountants Australia and New Zealand, and the audit software provider Audit Assistant, as we try to help co-ordinate efforts to support implementation and adoption.

9. We will continue to keep in touch with these key stakeholders. There may be opportunity to establish a working group to support adoption as well as opportunities to present at events in 2026.

Maintenance of the ISA for LCE

10. In September, the IAASB met and discussed the maintenance of the ISA for LCE. This included developing a framework to guide the maintenance of the standard overall and how individual maintenance project proposals would be set out.
11. Following this discussion the aim is for the Project Team to develop:
 - (a) an overarching framework for the maintenance project and
 - (b) a maintenance project proposal for the first revision of the ISA for LCE.
 Both will be presented at the December 2025 IAASB meeting for approval.
12. We expect that the IAASB will approve an exposure draft to update the ISA for LCE for changes relating to going concern, fraud, use of external experts and public interest entities at its June 2026 meeting.

Material presented

- Board meeting summary paper