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This standard was published in the *Gazette* on 18 December 2025 and takes effect on 15 January 2026. There is an [explanatory note](#) at the end of this standard that includes an explanation of how and from when this standard operates.

International Standard on Auditing (New Zealand) 570, *Going Concern*

This standard is issued under section 12(b) of the [Financial Reporting Act 2013](#) by the New Zealand Auditing and Assurance Standards Board

- (a) acting under delegated authority of the External Reporting Board (given in accordance with section 73 of the Crown Entities Act 2004); and
- (b) after complying with section 22 of the Financial Reporting Act 2013.

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Schedule 1

Title

0.1 This is the International Standard on Auditing (New Zealand) 570, *Going Concern*.

Commencement

0.2 This standard takes effect on the 28th day after the date of its publication under the Legislation Act 2019 (see section 27 of the Financial Reporting Act 2013).

Interpretation

0.3 In this standard **ISA (NZ) 570** means the International Standard on Auditing (New Zealand) 570, *Going Concern*.

Application

0.4 This standard commences to apply in relation to accounting periods that begin on or after

15 December 2026.

Revocation

- 0.5 The standard International Standard on Auditing (New Zealand) 570 (Revised), *Going Concern* issued in October 2015 is revoked on the date that this standard takes effect. To avoid doubt, the revoked standard continues to apply in relation to accounting periods that begin before 15 December 2026.

Transitional, savings, and related provisions

- 0.6 The transitional, savings, and related provisions (if any) set out in Schedule 1 have effect according to their terms.

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 This standard must be read in conjunction with International Standard on Auditing (New Zealand) 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (New Zealand)*, and any other applicable standard.
- NZ1.3 For the purposes of this ISA (NZ), a reference to “management” is taken to mean “management, and where appropriate, those charged with governance”.
- NZ1.4 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.¹ The detailed requirements regarding 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) 200,² 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.

¹ NZ IAS 8 *Basis of Preparation of Financial Statements*, paragraphs 6K-6L

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)*, paragraphs A61–A62

Effective Date

8. [See paragraphs 0.2 and 0.4]

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) 315,³ 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) 315,⁴ the auditor shall perform risk assessment procedures to obtain an understanding of: (Ref: Para. A9–A15)

The Entity and Its Environment

³ ISA (NZ) 315, *Identifying and Assessing the Risks of Material Misstatement*, paragraphs 13-14

⁴ ISA (NZ) 315, paragraphs 19-27

- (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,⁵ 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) 315,⁶ the auditor shall determine whether the audit evidence obtained from risk assessment procedures and related activities indicates the 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

⁵ ISA (NZ) 260, *Communication with Those Charged with Governance*, paragraph 13

⁶ ISA (NZ) 315, paragraph 35

15. In applying ISA (NZ) 315,⁷ 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
 - (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)

⁷ ISA (NZ) 315, paragraph 27

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) 560,⁸ 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;
 - (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)

⁸ ISA (NZ) 560, *Subsequent Events*, paragraph 5(b)

- (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 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 those charged with governance'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 those charged with governance'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 those charged with governance'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;⁹

- (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:

⁹ ISA (NZ) 705, *Modifications to the Opinion in the Independent Auditor's Report*

- (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 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.¹⁰ (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.

Written Representations

39. [Amended by the NZAuASB]
- NZ39.1 The auditor shall request written representations from those charged with governance¹¹ 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

¹⁰ ISA (NZ) 705, paragraph 29

¹¹ ISA (NZ) 580, *Written Representations*

- (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 39 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,¹² 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;
 - (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.

¹² ISA (NZ) 260, paragraph 13

Documentation

44. In applying ISA (NZ) 230,¹³ 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) 701¹⁴ 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: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

¹³ ISA (NZ) 230, *Audit Documentation*, paragraphs 8–11, A6–A7 and Appendix

¹⁴ ISA (NZ) 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

¹⁵ ISA (NZ) 701, paragraph 15

continue as going concerns.¹⁶ 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 privatisation. 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.¹⁷

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:

¹⁶ PBE IPSAS 1, *Presentation of Financial Reports*, paragraphs 38–41

¹⁷ NZ IAS 8, paragraph 6L

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) 240.¹⁸

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 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 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

¹⁸ ISA (NZ) 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, paragraph 27

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) 315¹⁹ 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 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

¹⁹ ISA (NZ) 315, paragraph 13

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) 315,²⁰ 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.

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 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.²¹ 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) 720.²²

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

²⁰ ISA (NZ) 315, paragraph A48

²¹ ISA (NZ) 315, paragraph 37

²² ISA (NZ) 720, *The Auditor's Responsibilities Relating to Other Information*

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 auditor, this may constitute a deficiency in internal control. ISA (NZ) 265²³ 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.²⁴

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, when the possible effects on the financial statements of the inability to obtain sufficient appropriate audit evidence are pervasive, the auditor disclaims an opinion.

²³ ISA (NZ) 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*

²⁴ ISA (NZ) 240 paragraphs 39-41

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:

- 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) 500²⁵ requires the auditor to evaluate whether the information is sufficiently reliable for the auditor’s purposes,

²⁵ ISA (NZ) 500, *Audit Evidence*, paragraph 9

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 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.²⁶ 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 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 recognised authority have asserted that they have taken responsibility for those financial statements.²⁷ The applicable financial reporting framework may use other

²⁶ 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.

²⁷ ISA (NZ) 560, paragraph 5(b)

terms to describe the “date of approval of the financial statements.”²⁸

- 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.²⁹
- 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 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

²⁸ 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.

²⁹ ISA (NZ) 210, *Agreeing the Terms of Audit Engagements*, paragraph A24

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) 315.³⁰ 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, 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 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.

³⁰ ISA (NZ) 315, paragraph 37

- 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 confirmation³¹ 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.
- 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.

³¹ ISA (NZ) 330, *The Auditor's Responses to Assessed Risks*, paragraph 19

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 medium³² 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.

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.

³² ISA (NZ) 505, *External Confirmations*, paragraph 6(a)

- 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.³³ For example, this may be the case when the auditor is aware of a significant delay between the date of the auditor's report 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 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

³³ ISA (NZ) 560, paragraphs 10-13

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,³⁴ 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 statements as a whole are free from material misstatement, as discussed in ISA (NZ) 700.³⁵

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.³⁶ 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.

³⁴ ISA (NZ) 540, *Auditing Accounting Estimates and Related Disclosures*, paragraphs A133–A136

³⁵ ISA (NZ) 700, *Forming an Opinion and Reporting on Financial Statements*, paragraph 11

³⁶ ISA (NZ) 240, paragraph 38

- 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 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.³⁷

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

³⁷ ISA (NZ) 700, paragraph 14

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) 705,³⁸ 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.

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) 700³⁹ 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

³⁸ ISA (NZ) 705, paragraphs 6 and A7

³⁹ ISA (NZ) 700, paragraphs 34 and 39

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.⁴⁰ Examples of such entities may include financial institutions (such as banks, insurance 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.

⁴⁰ ISA (NZ) 200, paragraph A14

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 standardised 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 provides guidance on this issue.⁴¹

- 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) 705⁴² 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.

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) 706⁴³ 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)

⁴¹ ISA (NZ) 705, paragraph 10

⁴² ISA (NZ) 705, paragraph 19

⁴³ ISA (NZ) 706, *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*

- A98. ISA (NZ) 260⁴⁴ 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.

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.

⁴⁴ ISA (NZ) 260, paragraph A49

- 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 requirements⁴⁵ 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.

⁴⁵ 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.⁴⁶

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.

⁴⁶ See, for example, paragraphs R360.19-R360.26 of PES 1.

Appendix

(Ref: Para. A78, A81, A89, 91–A92)

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) 600⁴⁷ 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.
- 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.

⁴⁷ ISA (NZ) 600, *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 Statements⁴⁸

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

In the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we have concluded that 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"]

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

Directors' Responsibilities for the Financial Statements⁴⁹

⁴⁸ 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.

⁴⁹ 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.

[Reporting in accordance with ISA (NZ) 700 – see Illustration 1 in ISA (NZ) 700.⁵⁰]

Auditor’s Responsibilities for the Audit of the Financial Statements

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

Report on Other Legal and Regulatory Requirements

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

[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]

⁵⁰ Paragraphs 34 and 39 of ISA (NZ) 700 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 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 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 Statements⁵¹

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

In the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we have concluded that 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 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.

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

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

⁵¹ 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.

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 – see Illustration 1 in Appendix 2 of ISA (NZ) 720.]

Directors' Responsibilities for the Financial Statements⁵²

[Reporting in accordance with ISA (NZ) 700 – see Illustration 1 in ISA (NZ) 700.⁵³]

Auditor's Responsibilities for the Audit of the Financial Statements

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

Report on Other Legal and Regulatory Requirements

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

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]

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**

⁵² Or other terms that are appropriate in the context of the legal framework for the entity.

⁵³ Paragraphs 34 and 39 of ISA (NZ) 700 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.

fair presentation framework. The audit is not a group audit (i.e., ISA (NZ) 600 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 Statements⁵⁴

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 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.

⁵⁴ 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 – see Illustration 1 in Appendix 2 of ISA (NZ) 720.]

Directors’ Responsibilities for the Financial Statements⁵⁵

[Reporting in accordance with ISA (NZ) 700 – see Illustration 1 in ISA (NZ) 700.⁵⁶]

Auditor’s Responsibilities for the Audit of the Financial Statements

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

Report on Other Legal and Regulatory Requirements

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

[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]

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 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 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 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, 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 the directors' assessment of the entity's ability to continue as a going concern in accordance with ISA (NZ) 570].

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 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.

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 – see Illustration 1 in Appendix 2 of ISA (NZ) 720.]

Directors’ Responsibilities for the Financial Statements⁵⁸

[Reporting in accordance with ISA (NZ) 700 – see Illustration 1 in ISA (NZ) 700.⁵⁹]

Auditor’s Responsibilities for the Audit of the Financial Statements

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

Report on Other Legal and Regulatory Requirements

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

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]

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 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 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 characterise 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 Statements⁶⁰

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 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.

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.

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 – see Illustration 6 in Appendix 2 of ISA (NZ) 720. The last paragraph of the other information section in Illustration 6 would be customised 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 Statements⁶¹

[Reporting in accordance with ISA (NZ) 700 – see Illustration 1 in ISA (NZ) 700.⁶²]

Auditor’s Responsibilities for the Audit of the Financial Statements

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

Report on Other Legal and Regulatory Requirements

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

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 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 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.
- 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

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 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.

Other Information [or another title if appropriate such as "Information Other than the

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.

Financial Statements and Auditor’s Report Thereon”]

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

Directors’ Responsibilities for the Financial Statements⁶⁴

[Reporting in accordance with ISA (NZ) 700 – see Illustration 1 in ISA (NZ) 700.⁶⁵]

Auditor’s Responsibilities for the Audit of the Financial Statements

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

Report on Other Legal and Regulatory Requirements

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

[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 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.

Schedule 1
Transitional, savings, and related provisions

Part 1 Provisions relating to this standard as made

There are no transitional, savings, or related provisions in this standard as made.

Issued at Wellington on 12 December 2025

Graeme Pinfold

Chair

New Zealand Auditing and Assurance Standards Board acting under delegated authority of the
External Reporting Board

EXPLANATORY NOTE AND OTHER INFORMATION

This note and other information are not part of the standard.

Explanatory note

This standard is the International Standard on Auditing (New Zealand) 570, *Going Concern*.

This standard is the New Zealand equivalent of International Standard on Auditing 570 (Revised 2024), *Going Concern*, and results from the revision of the international standard. This standard applies to accounting periods that begin on or after 15 December 2026.

This standard was issued by the New Zealand Auditing and Assurance Standards Board acting under delegated authority of the External Reporting Board.

This standard revokes the ISA (NZ) 570 (Revised) *Going Concern*, issued in October 2015. However, that standard continues to apply in relation to accounting periods that begin before 15 December 2026 as if that standard had not been revoked. (see Legislation Act 2019).

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 this standard:

- 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 this standard:

- The ISAs require the auditor to obtain written representations from management. The ISAs (NZ) require written representations from those charged with governance. (Ref: Para 39)
- 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: Paras 34-36)
- 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 34(b), 35(b))

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)

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History of Amendments

Table of instruments – ISA (NZ) 570

This table lists the instruments amending this standard

Instrument	Date made	Application date

Minimum Legislative Information

This Standard is secondary legislation published under 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	Section 12(b) of the Financial Reporting Act 2013 .
Replacement empowering Act and provision	
Maker name	New Zealand Auditing and Assurance Standards Board acting under delegated authority of the External Reporting Board
Administering agency	External Reporting Board
Date made	12 December 2025
Publication date	18 December 2025
Notification date	18 December 2025
Commencement date	15 January 2026.
End date	
Consolidation as at date	
Related instruments	