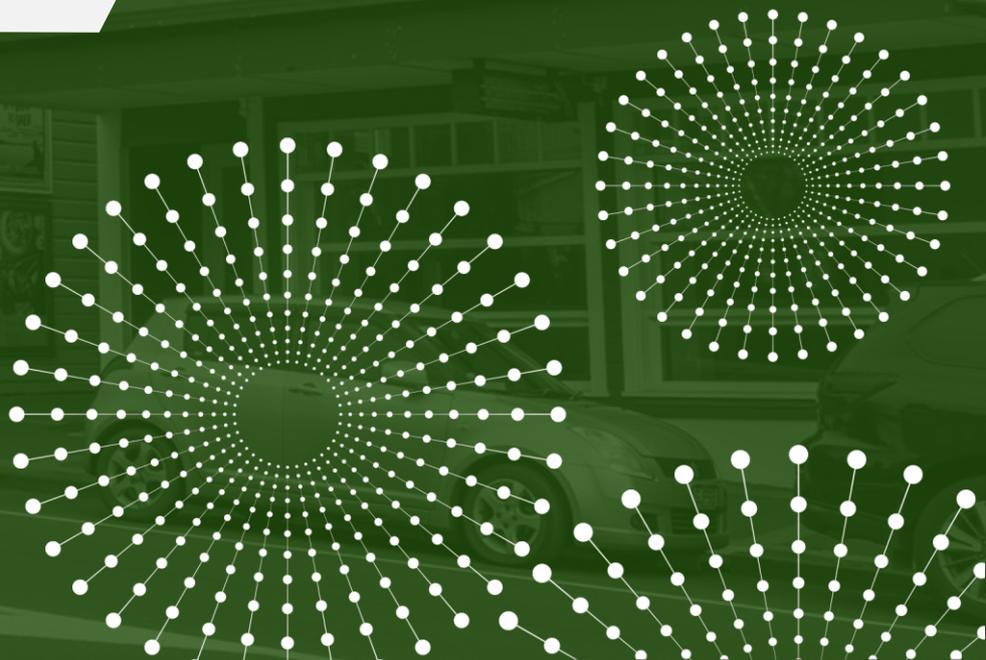


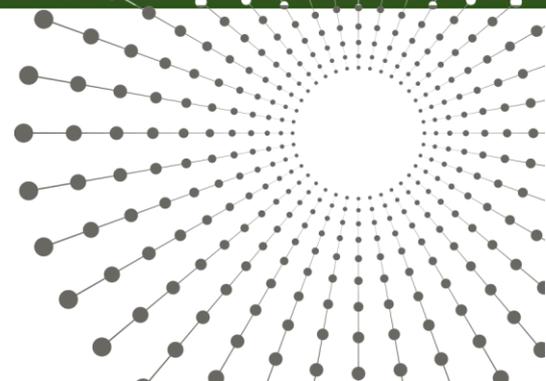
Illustrative auditor's reports

Supplemental guidance
on auditor reporting

ISA (NZ) for LCE guidance series



February 2026





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All the illustrative auditor's reports in this guide assume that the audit is performed in relation to the financial statements of an entity that has appropriately been determined to be a less complex entity as contemplated in Part A of the ISA (NZ) for LCE.

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Part 1. Illustrative auditor’s reports for audits of financial statements

1. Qualified Opinion due to a material misstatement of the financial statements, an emphasis of matter paragraph, and reporting on other legal and regulatory requirements

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

- **Audit of a complete set of financial statements of an entity using a fair presentation framework. The audit is not a group audit and does not include the audit of service performance information (i.e., Parts 10 and 11 of the ISA (NZ) for LCE do not apply).**
- **The financial statements are prepared by management of the entity in accordance with the [applicable financial reporting framework] (a general purpose framework).**
- **The terms of the audit engagement reflect the description of the Directors’ responsibility for the financial statements in Part 4.4. of the ISA (NZ) for LCE.**
- **Inventories are misstated. The misstatement is deemed to be material but not pervasive to the financial statements (i.e., a qualified opinion is appropriate). It is practicable to quantify the financial effects of the misstatements.**
- **Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* comprises all of the relevant ethical requirements that apply to the audit.**
- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern (See Part 8.5. of the ISA (NZ) for LCE).**
- **Between the date of the financial statements and the date of the auditor’s report, there was a fire in the entity’s production facilities, which was disclosed by the entity as a subsequent event. In the auditor’s professional judgement, the matter is of such importance that it is fundamental to users’ understanding of the financial statements (i.e., an Emphasis of Matter paragraph is needed).**
- **There is no Other Information reported in an annual report.**
- **In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.**

INDEPENDENT AUDITOR’S REPORT

To [Appropriate Addressee]

Report on the Audit of the Financial Statements¹

Qualified Opinion

We have audited the financial statements of ABC Company (the Entity), 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 a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, (or *give a*

¹ 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.

true and fair view of) the financial position of the Entity as at December 31, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with [applicable financial reporting framework] issued by the New Zealand Accounting Standards Board.

Basis for Qualified Opinion

The Entity's inventories are carried in the statement of financial position at [amount]. Management has not stated the inventories at the lower of cost and net realisable value but has stated them solely at cost, which constitutes a departure from [applicable financial reporting framework]. The Entity's records indicate that, had management stated the inventories at the lower of cost and net realisable value, an amount of [amount] would have been required to write the inventories down to their net realisable value. Accordingly, cost of sales would have been increased by [amount], and income tax, net income and shareholders' equity would have been reduced by [amount], [amount] and [amount], respectively.

We conducted our audit in accordance with the International Standard on Auditing (New Zealand) for Audits of Financial Statements of Less Complex Entities (the ISA (NZ) for LCE). Our responsibilities under the ISA (NZ) for LCE are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Entity in accordance with *Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 Entity.²

Emphasis of Matter – Effects of a fire

We draw attention to Note X of the financial statements, which describes the effects of a fire in the Entity's production facilities. Our opinion is not modified in respect of this matter.

Responsibilities of the Directors for the Financial Statements³

The Directors are responsible, on behalf of the Entity, for the preparation and fair presentation of the financial statements in accordance with [applicable financial reporting framework], and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible, on behalf of the Entity, for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements⁴

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report

² If the auditor has any relationship (other than that of auditor) with, or any interests in, the entity, then this statement is amended.

³ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction. In New Zealand, the appropriate reference is usually to Those Charged with Governance. In some jurisdictions, the appropriate reference may be to management.

⁴ The description of the auditor's responsibilities may also be included within an appendix or refer to a description to the relevant page of the auditor's responsibilities on the External Reporting Board's website at <https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities-2/>. The auditor shall determine that such a description is not inconsistent with this ISA (NZ) for LCE.

that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISA (NZ) for LCE will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISA (NZ) for LCE, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, 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. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with [management, and where appropriate, the Directors] regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

[The form and content of this section of the auditor's report would vary depending on the nature of the auditor's other reporting responsibilities prescribed by local law, regulation or national auditing standards. The matters addressed by other law, regulation (referred to as "other reporting responsibilities") shall be addressed within this section unless the other reporting responsibilities address the same topics as those presented under the reporting responsibilities required by the ISA (NZ) for LCE as part of the Report on the Audit of the Financial Statements section. The reporting of other reporting responsibilities that address the same topics as those required by the ISA (NZ) for LCE may be combined (i.e., included in the Report on the Audit of the Financial Statements section under the appropriate subheadings) provided that the wording in

In such cases, a reference to the location of appendix or description shall be included within the auditor's report, accompanied by "This description forms part of our auditor's report".

the auditor's report clearly differentiates the other reporting responsibilities from the reporting that is required by the ISA (NZ) for LCE where such a difference exists.]

[Signature in the name of the audit firm]

[Auditor Address]

[Date]

2. Adverse Opinion due to a material misstatement of the financial statements

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

- **Audit of a complete set of financial statements of an entity using a fair presentation framework. The audit is not a group audit and does not include the audit of service performance information (i.e., Parts 10 and 11 of the ISA (NZ) for LCE do not apply).**
- **The financial statements are prepared by management of the entity in accordance with the [applicable financial reporting framework] (a general purpose framework).**
- **The terms of the audit engagement reflect the description of the Directors' responsibility for the financial statements in Part 4.4. of the ISA (NZ) for LCE.**
- **The financial statements are materially misstated due to an impairment not being recognised on land which comprises over 80% of the entity's assets and so the auditor has concluded that this is material and pervasive to the financial statements as a whole (i.e., an adverse opinion is appropriate).**
- **Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* comprises all of the relevant ethical requirements that apply to the audit.**
- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (See Part 8.5. of the ISA (NZ) for LCE).**
- **There is no Other Information reported in an annual report.**
- **The auditor has no other reporting responsibilities required under local law.**

INDEPENDENT AUDITOR'S REPORT

To [Appropriate Addressee]

Adverse Opinion

We have audited the financial statements of ABC Company (the Entity), 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 a summary of significant accounting policies.

In our opinion, because of the significance of the matter discussed 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 Entity as at December 31, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with [applicable financial reporting framework] issued by the New Zealand Accounting Standards Board.

Basis for Adverse Opinion

As explained in Note X to the financial statements, the Entity did not perform an impairment review of land at the reporting date in accordance with [applicable financial reporting framework]. An independent valuer has assessed the recoverable value of the land included in Note X to the financial statements, is less than the carrying amount by an amount of [amount]. Consequently, assets are overstated by [amount], while income tax, net income and shareholders' equity is overstated by an amount of [amount], [amount], and [amount] respectively. These required adjustments are considered material and pervasive to the financial statements as a whole.

We conducted our audit in accordance with the International Standard on Auditing (New Zealand) for Audits of Financial Statements of Less Complex Entities (the ISA (NZ) for LCE). Our responsibilities under the ISA (NZ) for LCE are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Entity in accordance with *Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 Entity.⁵

Responsibilities of the Directors for the Financial Statements⁶

[See Illustrative report 1 above]

Auditor’s Responsibilities for the Audit of the Financial Statements⁷

[See Illustrative report 1 above]

[Signature in the name of the audit firm]

[Auditor Address]

[Date]

⁵ If the auditor has any relationship (other than that of auditor) with, or any interests in, the entity, then this statement is amended.

⁶ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction. In New Zealand, the appropriate reference is usually to Those Charged with Governance. In some jurisdictions, the appropriate reference may be to management.

⁷ The description of the auditor’s responsibilities may also be included within an appendix or refer to a description to the relevant page of the auditor’s responsibilities on the External Reporting Board’s website at <https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities-2/>. The auditor shall determine that such a description is not inconsistent with this ISA (NZ) for LCE. In such cases, a reference to the location of appendix or description shall be included within the auditor’s report, accompanied by “This description forms part of our auditor’s report”.

3. Disclaimer of Opinion due to the auditor's inability to obtain sufficient appropriate audit evidence about multiple elements of the financial statements; includes an other matter paragraph

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

- **Audit of a complete set of financial statements of an entity using a fair presentation framework. The audit is not a group audit and does not include the audit of service performance information (i.e., Parts 10 and 11 of the ISA (NZ) for LCE do not apply).**
- **The financial statements are prepared by management of the entity in accordance with the [financial reporting framework] (a general purpose framework).**
- **The terms of the audit engagement reflect the description of the Directors' responsibility for the financial statements in Part 4.4. of the ISA (NZ) for LCE.**
- **The auditor was unable to obtain sufficient appropriate audit evidence about multiple elements of the financial statements, that is, the auditor was also unable to obtain audit evidence about the entity's inventories and accounts receivable. The possible effects of this inability to obtain sufficient appropriate audit evidence are deemed to be both material and pervasive to the financial statements (i.e., a disclaimer of opinion is appropriate).**
- **Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* comprises all of the relevant ethical requirements that apply to the audit.**
- **The prior period financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements.**
- **There is no Other Information reported in an annual report.**
- **Owing to the disclaimer of opinion, a more limited description of the auditor's responsibilities section is required.**
- **The auditor has no other reporting responsibilities required under local law.**

INDEPENDENT AUDITOR'S REPORT

To [Appropriate Addressee]

Disclaimer of Opinion

We were engaged to audit the financial statements of ABC Company (the Entity), 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 a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Entity. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

We were not appointed as auditors of the Entity until after December 31, 20X1 and thus did not observe the counting of physical inventories at the beginning and end of the year. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at December 31, 20X0 and 20X1, which are stated in the statements of financial position at [amount] and [amount],

respectively. In addition, the introduction of a new computerised accounts receivable system in [Date] resulted in numerous errors in accounts receivable. As of the date of our report, management was still in the process of rectifying the system deficiencies and correcting the errors. We were unable to confirm or verify by alternative means accounts receivable included in the statement of financial position at a total amount of [amount] as at December 31, 20X1. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded inventories and accounts receivable, and the elements making up the statement of comprehensive income, statement of changes in equity and statement of cash flows.

Other Matter

The financial statements for the year ended [end of prior reporting period] were audited by another auditor who expressed an unmodified opinion on those financial statements on [date].

Responsibilities of the Directors for the Financial Statements⁸

[See *Illustrative report 1 above*]

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Entity's financial statements in accordance with the International Standard on Auditing (New Zealand) for Audits of Financial Statements of Less Complex Entities and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Entity in accordance with *Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor we have no relationship with, or interests in, the Entity.⁹

[Signature in the name of the audit firm]

[Auditor Address]

[Date]

⁸ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction. In New Zealand, the appropriate reference is usually to Those Charged with Governance. In some jurisdictions, the appropriate reference may be to management.

⁹ If the auditor has any relationship (other than that of auditor) with, or any interests in, the entity, then this statement is amended.

4. Unmodified Opinion and Other Information section (the auditor has obtained all of the Other Information prior to the date of the auditor's report and has not identified a material misstatement of the Other Information)

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

- **Audit of a complete set of financial statements of an entity using a fair presentation framework. The audit is not a group audit and does not include the audit of service performance information (i.e., Parts 10 and 11 of the ISA (NZ) for LCE do not apply).**
- **The financial statements are prepared by management of the entity in accordance with the [applicable financial reporting framework] (a general purpose framework).**
- **The terms of the audit engagement reflect the description of the Directors' responsibility for the financial statements in Part 4.4. of the ISA (NZ) for LCE.**
- **The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.**
- **Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* comprises all of the relevant ethical requirements that apply to the audit.**
- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (See Part 8.5. of the ISA (NZ) for LCE).**
- **The auditor has obtained all of the Other Information prior to the date of the auditor's report and has not identified a material misstatement of the Other Information.**
- **The auditor has no other reporting responsibilities required under local law.**

INDEPENDENT AUDITOR'S REPORT

To [Appropriate Addressee]

Opinion

We have audited the financial statements of ABC Company (the Entity), 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 a summary of significant accounting policies.

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 Entity as at December 31, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with [applicable financial reporting framework] issued by the New Zealand Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with the International Standard on Auditing (New Zealand) for Audits of Financial Statements of Less Complex Entities (the ISA (NZ) for LCE). Our responsibilities under the ISA (NZ) for LCE are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Entity in accordance with *Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 Entity.¹⁰

Other Information

The Directors are responsible for the Other Information. The Other Information comprises the [information included in the X report,¹¹ but does not include the financial statements and our auditor's report thereon.]

Our opinion on the financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the Other Information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements¹²

[See Illustrative report 1 above]

Auditor's Responsibilities for the Audit of the Financial Statements¹³

[See Illustrative report 1 above]

[Signature in the name of the audit firm]

[Auditor Address]

[Date]

¹⁰ If the auditor has any relationship (other than that of auditor) with, or any interests in, the entity, then this statement is amended.

¹¹ A more specific description of the Other Information, such as "the management report and five-year financial review," may be used to identify the Other Information.

¹² Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction. In New Zealand, the appropriate reference is usually to Those Charged with Governance. In some jurisdictions, the appropriate reference may be to management.

¹³ The description of the auditor's responsibilities may also be included within an appendix or refer to a description to the relevant page of the auditor's responsibilities on the External Reporting Board's website at <https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities-2/>. The auditor shall determine that such a description is not inconsistent with this ISA (NZ) for LCE. In such cases, a reference to the location of appendix or description shall be included within the auditor's report, accompanied by "This description forms part of our auditor's report".

5. Unmodified Opinion and a material uncertainty related to going concern exists that is adequately disclosed in the financial statements

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

- **Audit of a complete set of financial statements of an entity using a fair presentation framework. The audit is not a group audit and does not include the audit of service performance information (i.e., Parts 10 and 11 of the ISA (NZ) for LCE do not apply).**
- **The financial statements are prepared by management of the entity in accordance with the [applicable financial reporting framework] (a general purpose framework).**
- **The terms of the audit engagement reflect the description of the Directors' responsibility for the financial statements in Part 4.4. of the ISA (NZ) for LCE.**
- **The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.**
- **Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* comprises all of the relevant ethical requirements that apply to the audit.**
- **Based on the audit evidence obtained, the auditor has concluded that 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. The disclosure of the material uncertainty in the financial statements is adequate (See Part 8.5. of the ISA (NZ) for LCE).**
- **There is no Other Information reported in an annual report.**
- **The auditor has no other reporting responsibilities required under local law.**

INDEPENDENT AUDITOR'S REPORT

To [Appropriate Addressee]

Opinion

[See *Illustration 4* above]

Basis for Opinion

[See *Illustration 4* above]

Material Uncertainty Related to Going Concern

[We draw attention to Note X in the financial statements, which indicates that the Entity incurred a net loss of [amount] during the year ended December 31, 20X1 and, as of that date, the Entity's current liabilities exceeded its total assets by [amount]. 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 Entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.]

Responsibilities of the Directors for the Financial Statements¹⁴

[See *Illustrative report 1* above]

¹⁴ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction. In New Zealand, the appropriate reference is usually to Those Charged with Governance. In some jurisdictions, the appropriate reference may be to management.

Auditor's Responsibilities for the Audit of the Financial Statements¹⁵

[See Illustrative report 1 above]

[Signature in the name of the audit firm]

[Auditor Address]

[Date]

¹⁵ The description of the auditor's responsibilities may also be included within an appendix or refer to a description to the relevant page of the auditor's responsibilities on the External Reporting Board's website at <https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities-2/>. The auditor shall determine that such a description is not inconsistent with this ISA (NZ) for LCE. In such cases, a reference to the location of appendix or description shall be included within the auditor's report, accompanied by "This description forms part of our auditor's report".

6. Qualified Opinion due to a material uncertainty related to going concern that is not adequately disclosed in the financial statements

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

- **Audit of a complete set of financial statements of an entity using a fair presentation framework. The audit is not a group audit and does not include the audit of service performance information (i.e., Parts 10 and 11 of the ISA (NZ) for LCE do not apply).**
- **The financial statements are prepared by management of the entity in accordance with the [applicable financial reporting framework] (a general purpose framework).**
- **The terms of the audit engagement reflect the description of the Directors' responsibility for the financial statements in Part 4.4. of the ISA (NZ) for LCE.**
- **Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* comprises all of the relevant ethical requirements that apply to the audit.**
- **Based on the audit evidence obtained, the auditor has concluded that 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. Note yy 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. (See Part 8.5. of the ISA (NZ) for LCE).**
- **There is no Other Information reported in an annual report.**
- **The auditor has no other reporting responsibilities required under local law.**

INDEPENDENT AUDITOR'S REPORT

To [Appropriate Addressee]

Qualified Opinion

We have audited the financial statements of ABC Company (the Entity), 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 a summary of significant accounting policies.

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 Entity as at December 31, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with [applicable financial reporting framework] issued by the New Zealand Accounting Standards Board.

Basis for Qualified Opinion

As discussed in Note yy, the Entity's financing arrangements expire and amounts outstanding are payable on [DATE]. The Entity 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 Entity's ability to continue as a going concern. The financial statements do not adequately disclose this matter.

We conducted our audit in accordance with the International Standard on Auditing (New Zealand) for Audits of Financial Statements of Less Complex Entities (the ISA (NZ) for LCE). Our responsibilities under the ISA (NZ) for LCE are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Entity in accordance with *Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 Entity.¹⁶

Responsibilities of the Directors for the Financial Statements¹⁷

[See Illustrative report 1 above]

Auditor's Responsibilities for the Audit of the Financial Statements¹⁸

[See Illustrative report 1 above]

[Signature in the name of the audit firm]

[Auditor Address]

[Date]

¹⁶ If the auditor has any relationship (other than that of auditor) with, or any interests in, the entity, then this statement is amended.

¹⁷ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction. In New Zealand, the appropriate reference is usually to Those Charged with Governance. In some jurisdictions, the appropriate reference may be to management.

¹⁸ The description of the auditor's responsibilities may also be included within an appendix or refer to a description to the relevant page of the auditor's responsibilities on the External Reporting Board's website at <https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities-2/>. The auditor shall determine that such a description is not inconsistent with this ISA (NZ) for LCE. In such cases, a reference to the location of appendix or description shall be included within the auditor's report, accompanied by "This description forms part of our auditor's report".

7. Adverse Opinion due to a material uncertainty related to going concern that is not disclosed in the financial statements

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

- **Audit of a complete set of financial statements of an entity using a fair presentation framework. The audit is not a group audit and does not include the audit of service performance information (i.e., Parts 10 and 11 of the ISA (NZ) for LCE do not apply).**
- **The financial statements are prepared by management of the entity in accordance with the [applicable financial reporting framework] (a general purpose framework).**
- **The terms of the audit engagement reflect the description of the Directors' responsibility for the financial statements in Part 4.4. of the ISA (NZ) for LCE.**
- **Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* comprises all of the relevant ethical requirements that apply to the audit.**
- **Based on the audit evidence obtained, the auditor has concluded that 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 the Entity is considering bankruptcy. 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. (See Part 8.5. of the ISA (NZ) for LCE).**
- **There is no Other Information reported in an annual report.**
- **The auditor has no other reporting responsibilities required under local law.**

INDEPENDENT AUDITOR'S REPORT

To [Appropriate Addressee]

Adverse Opinion

We have audited the financial statements of ABC Company (the Entity), 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 a summary of significant accounting policies.

In our opinion, because of the omission of the information mentioned 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 Entity as at December 31, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with [applicable financial reporting framework] issued by the New Zealand Accounting Standards Board.

Basis for Adverse Opinion

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

We conducted our audit in accordance with the International Standard on Auditing (New Zealand) for Audits of Financial Statements of Less Complex Entities (the ISA (NZ) for LCE). Our responsibilities under the ISA (NZ) for LCE are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Entity in accordance with *Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 Entity.¹⁹

Responsibilities of the Directors for the Financial Statements²⁰

[See Illustrative report 1 above]

Auditor's Responsibilities for the Audit of the Financial Statements²¹

[See Illustrative report 1 above]

[Signature in the name of the audit firm]

[Auditor Address]

[Date]

¹⁹ If the auditor has any relationship (other than that of auditor) with, or any interests in, the entity, then this statement is amended.

²⁰ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction. In New Zealand, the appropriate reference is usually to Those Charged with Governance. In some jurisdictions, the appropriate reference may be to management.

²¹ The description of the auditor's responsibilities may also be included within an appendix or refer to a description to the relevant page of the auditor's responsibilities on the External Reporting Board's website at <https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities-2/>. The auditor shall determine that such a description is not inconsistent with this ISA (NZ) for LCE. In such cases, a reference to the location of appendix or description shall be included within the auditor's report, accompanied by "This description forms part of our auditor's report".

Part 2. Illustrative auditor’s reports with modifications to the opinion with respect to the service performance information^{22 23}

8. Unmodified Opinion on the financial statements and a Qualified Opinion due to a material misstatement of the service performance information

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

- Audit of a performance report of a public benefit entity that is using a fair presentation framework. The audit is not a group audit (i.e., Part 10 of the ISA (NZ) for LCE does not apply).
- The performance report is prepared by management of the entity in accordance with the Reporting Requirements for Tier 3 Not-for-Profit Entities (Tier 3 (NFP) Standard) (a general purpose framework).
- The entity has opted for the performance report to be audited.
- The terms of the audit engagement reflect the description of the responsibilities of Those Charged with Governance for the performance report in Parts 4.4. and 11.2 of the ISA (NZ) for LCE.
- Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* comprises all of the relevant ethical requirements that apply to the audit.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern (See Part 8.5. of the ISA (NZ) for LCE).
- There is no Other Information reported in an annual report.
- The auditor has no other reporting responsibilities required under local law.

INDEPENDENT AUDITOR’S REPORT

To [Appropriate Addressee]

Opinions

We have audited the performance report of ABC Incorporated (the Entity), which comprise the financial statements on pages x to xx, and the service performance information on pages x to xx, and entity information on page x. The complete set of financial statements comprise the statement of financial position as at December 31, 20X1, and the statement of financial performance, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

Opinion on the Financial Statements and Entity Information

In our opinion, the accompanying performance report presents fairly, in all material respects (or *gives a true and fair view of*):

- the entity information as at December 31, 20X1; and

²² May also be referred to as the Statement of Service Performance.

²³ All the illustrative auditor’s reports in this Appendix assume that the audit is performed in relation to the financial statements of an entity that has appropriately been determined to be a less complex entity as contemplated in Part A of the ISA (NZ) for LCE.

- the financial position of the Entity as at December 31, 20X1, and its financial performance, and its cash flows for the year then ended;

in accordance with Reporting Requirements for Tier 3 Not-for-Profit Entities (Tier 3 (NFP) Standard), issued by the New Zealand Accounting Standards Board.

Qualified Opinion on the Service Performance Information

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion on the Service Performance Information* section of our report, the accompanying performance report presents fairly, in all material respects, (or gives a true and fair view of) the service performance for the year ended December 31, 20X1 in that the service performance information is appropriate and meaningful and prepared in accordance with the Entity's measurement bases or evaluation methods in accordance with the Tier 3 (NFP) Standard issued by the New Zealand Accounting Standards Board.

Basis for Opinions, Including Basis for Qualified Opinion on the Service Performance Information

As reported in the service performance information on page xx, the Entity has identified its service performance as [description of the service performance information] and measured this performance by [list performance measures and/or descriptions reported] to report its service performance in accordance with the Tier 3 (NFP) Standard. The Entity has not been able to provide evidence of its role in those particular improvements and therefore should not have reported this improvement.

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

Other than in our capacity as auditor we have no relationship with, or interests in, the Entity.²⁴

Responsibilities of Those Charged with Governance for the Performance Report²⁵

Those Charged with Governance are responsible, on behalf of the Entity, for:

- The preparation [and fair presentation] of the performance report in accordance with the Tier 3 (NFP) Standard,
- The selection of elements/aspects of service performance, performance measures and/or descriptions and measurement bases or evaluation methods that present service performance information that is appropriate and meaningful in accordance with Tier 3 (NFP) Standard;
- The preparation and fair presentation of service performance information in accordance with the Entity's measurement bases or evaluation methods, in accordance with the Tier 3 (NFP) Standard;
- The overall presentation, structure and content of the service performance information in accordance with the Tier 3 (NFP) Standard; and

²⁴ If the auditor has any relationship (other than that of auditor) with, or any interests in, the entity, then this statement is amended.

²⁵ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction. In New Zealand, the appropriate reference is usually to Those Charged with Governance. In some jurisdictions, the appropriate reference may be to management.

- Such internal control as Those Charged with Governance determine is necessary to enable the preparation of a performance report that is free from material misstatement, whether due to fraud or error.

In preparing the performance report, Those Charged with Governance are responsible, on behalf of the Entity, for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Those Charged with Governance either intends to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Performance Report²⁶

Our objectives are to obtain reasonable assurance about whether the performance report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISA (NZ) for LCE will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this performance report.

As part of an audit in accordance with the ISA (NZ) for LCE, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the performance report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Obtain an understanding of the process applied by the entity to select its elements/aspects of service performance, performance measures and/or descriptions and the measurement bases or evaluation methods.
- Evaluate whether the selection of elements/aspects of service performance, performance measures and/or descriptions and measurement bases or evaluation methods present an appropriate and meaningful assessment of the entity's service performance in accordance with the Tier 3 (NFP) Standard.
- Evaluate whether the service performance information is prepared in accordance with the entity's measurement bases or evaluation methods, in accordance with the Tier 3 (NFP) Standard.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to

²⁶ The description of the auditor's responsibilities may also be included within an appendix or refer to a description to the relevant page of the auditor's responsibilities on the External Reporting Board's website at <https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities-2/>. The auditor shall determine that such a description is not inconsistent with this ISA (NZ) for LCE. In such cases, a reference to the location of appendix or description shall be included within the auditor's report, accompanied by "This description forms part of our auditor's report".

events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the performance report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the performance report, including the disclosures, and whether the performance report represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with [management, and where appropriate, Those Charged with Governance] regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Signature in the name of the audit firm]

[Auditor Address]

[Date]

9. Qualified Opinion on both the financial statements and service performance information (due to the auditor's inability to obtain sufficient appropriate audit evidence about a single element of the financial statements)

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

- **Audit of a performance report of a public benefit entity that is using a fair presentation framework. The audit is not a group audit (i.e., Part 10 of the ISA (NZ) for LCE does not apply).**
- **The performance report is prepared by management of the entity in accordance with the Public Benefit Entity Standards Reduced Disclosure Regime (PBE Standards RDR) (a general purpose framework).**
- **The terms of the audit engagement reflect the description of the responsibilities of Those Charged with Governance for the performance report in Parts 4.4. and 11.2 of the ISA (NZ) for LCE.**
- **Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* comprises all of the relevant ethical requirements that apply to the audit.**
- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (See Part 8.5. of the ISA (NZ) for LCE).**
- **There is no Other Information reported in an annual report.**
- **The auditor has no other reporting responsibilities required under local law.**

INDEPENDENT AUDITOR'S REPORT

To [Appropriate Addressee]

Qualified Opinion

We have audited the financial report of ABC Incorporated (the Entity), which comprise the financial statements on pages x to xx, and the service performance information on pages x to xx. The complete set of financial statements comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive revenue and expense, statement of financial performance, statement of changes in net assets/equity, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial report presents fairly, in all material respects (or *gives a true and fair view of*):

- the financial position of the Entity as at December 31, 20X1, and its financial performance, and its cash flows for the year then ended; and
- the service performance for the year ended December 31, 20X1 in that the service performance information is appropriate and meaningful and prepared in accordance with the Entity's measurement bases or evaluation methods

in accordance with Public Benefit Entity Standards Reduced Disclosure Regime (PBE Standards RDR) issued by the New Zealand Accounting Standards Board.

Basis for Qualified Opinion

As outlined on page xx of the financial report, the Entity has not applied the requirements of PBE Standards RDR to its grant expenditure. We have been unable to obtain sufficient audit evidence to quantify the effects of this limitation. As a result of this matter, we were unable to quantify the adjustments that are necessary in respect of grant expenditure in the statement of comprehensive revenue and expenses; assets, liabilities and equity in the statement of financial position, total comprehensive revenue and expense and opening and closing equity in the statement of changes in equity and grants expense reported in the service performance information.

We conducted our audit in accordance with the International Standard on Auditing (New Zealand) for Audits of Financial Statements of Less Complex Entities (the ISA (NZ) for LCE). Our responsibilities under the ISA (NZ) for LCE are further described in *the Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Entity in accordance with *Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards (New Zealand))* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 Entity.²⁷

Responsibilities of Those Charged with Governance for the Financial Report²⁸

[See Illustrative report 8 above, except that PBE Standards RDR is the applicable financial reporting framework rather than the Tier 3 (NFP) Standard]

Auditor's Responsibilities for the Audit of the Financial Report²⁹

[See Illustrative report 8 above, except that PBE Standards RDR is the applicable financial reporting framework rather than the Tier 3 (NFP) Standard]

[Signature in the name of the audit firm]

[Auditor Address]

[Date]

²⁷ If the auditor has any relationship (other than that of auditor) with, or any interests in, the entity, then this statement is amended.

²⁸ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction. In New Zealand, the appropriate reference is usually to Those Charged with Governance. In some jurisdictions, the appropriate reference may be to management.

²⁹ The description of the auditor's responsibilities may also be included within an appendix or refer to a description to the relevant page of the auditor's responsibilities on the External Reporting Board's website at <https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities-2/>. The auditor shall determine that such a description is not inconsistent with this ISA (NZ) for LCE. In such cases, a reference to the location of appendix or description shall be included within the auditor's report, accompanied by "This description forms part of our auditor's report".

Part 3. Illustrative auditor's reports with respect to group audits³⁰

10. Qualified Opinion due to the group auditor's inability to obtain sufficient audit evidence on which to base the group audit opinion

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

- **Audit of a complete set of consolidated financial statements of an entity using a fair presentation framework. The audit is a group audit (i.e., Part 10 of the ISA (NZ) for LCE applies). The audit does not include the audit of service performance information (i.e., Part 11 of the ISA (NZ) for LCE does not apply).**
- **The consolidated financial statements are prepared by management of the entity in accordance with the [applicable financial reporting framework] (a general purpose framework).**
- **The terms of the audit engagement reflect the description of the Directors' responsibility for the consolidated financial statements in Part 4.4. of the ISA (NZ) for LCE.**
- **The group auditor was unable to obtain sufficient appropriate audit evidence regarding the inventory at a component. The possible effects of the inability to obtain sufficient appropriate audit evidence are deemed to be material but not pervasive to the consolidated financial statements (i.e., a qualified opinion is appropriate).**
- **Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* comprises all of the relevant ethical requirements that apply to the audit.**
- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (See Part 8.5. of the ISA (NZ) for LCE).**
- **There is no Other Information reported in an annual report.**
- **The auditor has no other reporting responsibilities required under local law.**

INDEPENDENT AUDITOR'S REPORT

To [Appropriate Addressee]

Qualified Opinion

We have audited the consolidated financial statements of ABC Company and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 20X1, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in

³⁰ All the illustrative auditor's reports in this Appendix assume that the audit is performed in relation to the financial statements of an entity that has appropriately been determined to be a less complex entity as contemplated in Part A of the ISA (NZ) for LCE.

all material respects, (or *give a true and fair view of*) the consolidated financial position of the Group as at December 31, 20X1, and (of) its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with [applicable financial reporting framework] issued by the New Zealand Accounting Standards Board.

Basis for Qualified Opinion

In the consolidated statement of financial position as at December 31, 20X1, the Group's inventories are carried at [amount] and comprise the inventories of Component XYZ. Because of the timing of our appointment as the auditor of the Group, we were unable to observe the counting of the physical inventories at Component XYZ as at December 31, 20X1. We also were unable to obtain sufficient appropriate audit evidence regarding the existence and condition of the inventories by performing alternative audit procedures. Consequently, we were unable to determine whether any adjustments to the carrying amount of the inventories were necessary.

We conducted our audit in accordance with the International Standard on Auditing (New Zealand) for Audits of Financial Statements of Less Complex Entities (the ISA (NZ) for LCE). Our responsibilities under the ISA (NZ) for LCE are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group 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 these requirements. 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 Entity, or any of its subsidiaries.³¹

Responsibilities of the Directors for the Consolidated Financial Statements³²

The Directors are responsible, on behalf of the Group, for the preparation and fair presentation of the consolidated financial statements in accordance with [applicable financial reporting framework], and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible, on behalf of the Group, for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements³³

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to

³¹ If the auditor has any relationship (other than that of auditor) with, or any interests in, the entity or any of its subsidiaries, then this statement is amended.

³² Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction. In New Zealand, the appropriate reference is usually to Those Charged with Governance. In some jurisdictions, the appropriate reference may be to management.

³³ The description of the auditor's responsibilities may also be included within an appendix or refer to a description to the relevant page of the auditor's responsibilities on the External Reporting Board's website at <https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities-2/>. [to next page]

issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISA (NZ) for LCE will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the ISA (NZ) for LCE, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the Group audit. We remain solely responsible for our audit opinion.

We communicate with [management, and where appropriate, the Directors] regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Signature in the name of the audit firm]

[Auditor Address]

[Date]

[from previous page – footnote 33] The auditor shall determine that such a description is not inconsistent with this ISA (NZ) for LCE. In such cases, a reference to the location of appendix or description shall be included within the auditor's report, accompanied by "This description forms part of our auditor's report".