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

May 2026

XRB

Note: This chart depicts a walkthrough of the auditor's decision-making process for going concern, rather than the audit process. The green boxes highlight the auditor's decisions in respect of concluding whether the going concern basis of accounting is appropriate and whether a material uncertainty exists. Unless otherwise stated, paragraph references in this chart refer to *ISA (NZ) 570*, Going Concern.

The auditor's risk assessment procedures provide a 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.

- Events or conditions are identified before mitigating factors.
- Not all events or conditions lead to uncertainty.

Perform risk assessment procedures and related activities to identify events or conditions

(Ref: Para 11-15)

Scalability

Nature and extent of the auditor's procedures is commensurate to the nature and circumstances of the entity, the complexity of the assessment and the nature and circumstances of the events or conditions

(Ref: Para. 19, A14-A15, A46)

Perform audit procedures to evaluate management's assessment of going concern

(Ref: para. 16-25)

Management's assessment is key for the auditor's evaluation whether:

- Management's use of the going concern basis is appropriate.
- 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 events or conditions are identified, perform audit procedures to evaluate management's plans for future actions

(Ref: Para. 26-28)

Has sufficient appropriate audit evidence been obtained regarding the appropriateness of management's use of the going concern basis of accounting?
(Ref: Para. 30)

No → Limitation on Scope
Refer to ISA (NZ) 705 for the implications to the auditor's report
(Ref: Para. A67)

Yes ↓

Is the auditor's conclusion that management's use of the going concern basis of accounting is appropriate?
(Ref: Para. 30)

No → Basis of accounting inappropriate
Adverse Opinion
(Ref: Para. 38)

Yes ↓

Based on the audit evidence obtained, does a material uncertainty exist?
(Ref: Para. 31)

No → The auditor evaluates the adequacy of the disclosures and the implications for the auditor's report *(Ref: Para. 32, 34)*

Yes ↓

The auditor evaluates the adequacy of the disclosures and the implications for the auditor's report *(Ref: Para 33, 35-36)*