PROPOSED INTERNATIONAL STANDARD ON AUDITING 700
(REDRAFTED)
THE INDEPENDENT AUDITOR’S FORMING AN OPINION AND REPORTING ON GENERAL PURPOSE FINANCIAL STATEMENTS [ISSUE F.1]
(Effective for audits of financial statements for periods beginning on or after [date] December 15, 2009)*

CONTENTS

Introduction
Scope of this ISA ................................................................. 1-34
Effective Date ................................................................. 45
Objectives ............................................................................. 56
Definitions .............................................................................. 6-7-9
Requirements
Forming an Opinion on the Financial Statements ................. 810-1215
Form of Opinion ................................................................. 1316-1419
Auditor’s Report ................................................................. 1520-4246
Supplementary Information Presented with the Financial Statements ........................................... 4347-4448
Application and Other Explanatory Material
Qualitative Aspects of the Entity’s Accounting Practices ................................................ A1-A23
Disclosure of the Effect of Material Transactions and Events on the Information Conveyed in the Financial Statements ................................................................. A4
Description of the Applicable Financial Reporting Framework ........................................... A35-A4112
Form of Opinion ................................................................. A1213-A14
Auditor’s Report ................................................................. A15-A4749
Supplementary Information Presented with the Financial Statements ................................... A4850-A5456
Appendix: Illustrations of Auditors’ Reports on General Purpose Financial Statements

*—See footnote 1.
Introduction

Scope of this ISA [ISSUE F.1]

1. This International Standard on Auditing (ISA) deals with the responsibility of the auditor to form an opinion on the financial statements. It also deals with the form and content of the independent auditor’s report issued as a result of an audit of general purpose financial statements. It also deals with forming an opinion on the financial statements.

2. [Proposed] ISA 705 (Revised and Redrafted)\(^1\), “Modifications to the Opinion in the Independent Auditor’s Report” and ISA 706 (Revised and Redrafted)\(^2\) deals with circumstances that may result in a modified opinion, the type of modification required, and how the form and content of the auditor’s report is affected in such circumstances when the auditor expresses a modified opinion or. [Proposed] ISA 706 (Revised and Redrafted), “Emphasis of Matter Paragraphs and Other Matter(s) Paragraphs in the Independent Auditor’s Report” deals with circumstances when the auditor considers including an Emphasis of Matter paragraph or an Other Matter(s) paragraph in the auditor’s report, and the form and placement of such paragraphs.

3. This ISA is written in the context of a complete set of general purpose financial statements. ISA 800 (Revised and Redrafted)\(^3\) deals with special considerations when financial statements are prepared in accordance with a special purpose framework. ISA 805 (Revised and Redrafted)\(^4\) deals with special considerations relevant to an audit of a single financial statement or of a specific element, account or item of a financial statement.

34. This ISA is aimed at achieving consistency in the auditor’s report. Consistency in the auditor’s report, when the audit has been conducted in accordance with International Standards on Auditing ISAs, promotes credibility in the global marketplace by making more readily identifiable those audits that have been conducted in accordance with globally recognized standards. It also helps to promote the user’s understanding and to identify unusual circumstances when they occur.

Effective Date

45. This ISA is effective for audits of financial statements for periods beginning on or after \[^{[date]}\] December 15, 2009.\(^5\)

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\(^1\) ISA 705 (Revised and Redrafted), “Modifications to the Opinion in the Independent Auditor’s Report.”

\(^2\) ISA 706 (Revised and Redrafted), “Emphasis of Matter Paragraphs and Other Matter(s) Paragraphs in the Independent Auditor’s Report.”

\(^3\) ISA 800 (Revised and Redrafted), “Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks.”

\(^4\) ISA 805 (Revised and Redrafted), “Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement.”

\(^5\) This date will not be earlier than December 15, 2008.
Objectives [ISSUE C]

56. The objectives of the auditor are to:

(a) Form an opinion on the financial statements based on an evaluation of the conclusions drawn from the audit evidence obtained; and

(b) Express clearly that opinion through a written report that also explains the basis for the opinion.

Definitions [ISSUE D]

67. For purposes of the ISAs, the following terms have the meanings attributed below:

(a) General purpose financial statements – Financial statements prepared in accordance with a general purpose framework.

(b) General purpose framework – A financial reporting framework designed to meet the common financial information needs of a wide range of users. The financial reporting framework may be a fair presentation framework or a compliance framework.

For purposes of the ISAs, the term “fair presentation framework” is used to refer to a financial reporting framework that requires compliance with the specific requirements of the framework and:

(i) Acknowledges explicitly or implicitly that, to achieve fair presentation of the financial statements, it may be necessary for management to provide disclosures beyond the specific requirements of those specifically required by the framework; or

(ii) Acknowledges explicitly that, in extremely rare circumstances, it may be necessary for management to depart from a specific requirement of the framework to achieve fair presentation of the financial statements.

The term “compliance framework” is used to refer to a financial reporting framework that requires compliance with the specific requirements of the framework, but does not contain the acknowledgements in (i) or (ii) above.6

(c) Unmodified opinion – The opinion expressed by the auditor when the auditor concludes that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework including, in the case of a fair presentation framework, that the financial statements are presented fairly, in all material respects, or give a true and fair view in accordance with the applicable financial reporting framework.

[ISSUE F.1] 78. Reference to “financial statements” in this ISA should be read as means “a complete set of general purpose financial statements,” and can be to a complete set of

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financial statements or a single financial statement including the related notes. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The requirements of the applicable financial reporting framework determine the form and content of the financial statements, and what constitutes a complete set of financial statements.


Requirements

Forming an Opinion on the Financial Statements

8 10 In accordance with the overall objectives of the auditor, forming the auditor’s opinion on whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.8

11. In order to form that opinion, the auditor shall conclude as to whether reasonable assurance the auditor has obtained reasonable assurance about whether the financial statements taken as a whole are free from material misstatement, whether due to fraud or error. 9 The auditor’s conclusion shall take into account:

(a) The auditor’s conclusion, in accordance with ISA 330 (Redrafted), whether sufficient appropriate audit evidence has been obtained, in accordance with ISA 330 (Redrafted), “The Auditor’s Responses to Assessed Risks”;9

(b) The auditor’s conclusion, in accordance with ISA 450 (Revised and Redrafted), whether uncorrected misstatements are material, individually or in aggregate, in accordance with [proposed] ISA 450 (Revised and Redrafted), “Evaluation of Misstatements Identified during the Audit”;10 and

(c) The auditor’s evaluations required by paragraphs 10-12 12-15.

[ISSUE E.1.1] 12 The auditor shall evaluate whether the financial statements are prepared and presented, in all material respects, in accordance with the specific requirements of the applicable financial reporting framework. This evaluation shall include consideration of the qualitative aspects of the entity’s accounting practices, including indicators of possible bias in management’s judgments. (Ref: Para. A1-A23)

13. In particular, the auditor shall evaluate whether, in view of the specific requirements of

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2 The requirements of the applicable financial reporting framework determine the form and content of the financial statements and what constitutes a complete set of financial statements.

8 ISA 200 (Revised and Redrafted), paragraph 11(a).


10 ISA 450 (Revised and Redrafted), “Evaluation of Misstatements Identified during the Audit,” paragraph 11.
the applicable financial reporting framework:

(a) The financial statements adequately disclose the significant accounting policies selected and applied, and significant interpretations by management of regulatory or legal requirements. In jurisdictions where the applicable financial reporting framework is so codified as to preclude a choice of accounting policies or significant interpretations by management, a reference to the applicable financial reporting framework may suffice; [ISSUE E.1.2]

(b) The accounting policies selected and applied are consistent with the applicable financial reporting framework and are appropriate in the circumstances;

(c) The accounting estimates made by management are reasonable;

(d) The information presented in the financial statements is relevant, reliable, comparable and understandable;

(e) The financial statements provide adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the financial statements, for example, in the case of financial statements prepared and presented in accordance with many general purpose frameworks, the entity’s financial position, financial performance and cash flows; and (Ref: Para. A4) [ISSUE E.1.3]

(f) The terminology used in the financial statements, including the titles of each financial statement, is appropriate.

¶14. When the financial statements are prepared and presented in accordance with a fair presentation framework, the auditor shall evaluate whether the financial statements achieve fair presentation. The auditor’s evaluation as to whether the financial statements achieve fair presentation shall include consideration of:

(a) The overall presentation, structure and content of the financial statements; and

(b) Whether the financial statements, including the related explanatory notes, faithfully represent the underlying transactions and events in a manner that achieves fair presentation.

¶15. The auditor shall evaluate whether the financial statements adequately refer to or describe the applicable financial reporting framework. (Ref: Para. A35-A412)

Form of Opinion

¶16. The auditor shall express an unmodified opinion when the auditor concludes that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework including, in the case of a fair presentation framework, that the financial statements are presented fairly, in all material respects, or give a true and fair view of, or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework (see paragraphs 31-32, 35-37).
If the auditor:

(a) concludes that, based on the audit evidence obtained, the financial statements as a whole are materially misstated not free from material misstatement; or

(b) is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are not materially misstated free from material misstatement,

the auditor shall consider the effect thereof on modify the opinion in the auditor’s report in accordance with [proposed] ISA 705 (Revised and Redrafted). (Ref: Para. A12)

When financial statements prepared and presented in accordance with the specific requirements of a fair presentation framework do not achieve fair presentation, the auditor shall discuss the matter with management and, depending on the requirements of the applicable financial reporting framework and how the matter is resolved, shall determine whether it is necessary to modify the opinion in the auditor’s report in accordance with [proposed] ISA 705 (Revised and Redrafted). (Ref: Para. A13)

ISSUE E.2. When the financial statements are prepared and presented in accordance with a compliance framework, the auditor is not required to evaluate whether the financial statements achieve fair presentation. However, if in extremely rare circumstances, the auditor may conclude that, in the auditor’s judgment, such financial statements are misleading. In such a case, the auditor shall discuss the matter with management and, depending on how it is resolved, shall determine whether, and how, to deal with communicate it in the auditor’s report. (Ref: Para. A14)

Auditor’s Report

The auditor’s report shall be in writing. (Ref: Para. A15-A16)

Auditor’s Report for Audits Conducted in Accordance with International Standards on Auditing

Title

The auditor’s report shall have a title that clearly indicates that it is the report of an independent auditor. (Ref: Para. A17)

Addressee

The auditor’s report shall be addressed as required by the circumstances of the engagement. (Ref: Para. A18)

Introductory Paragraph

The introductory paragraph in the auditor’s report shall: (Ref: Para. A19-A20)

(a) Identify the entity whose financial statements have been audited;

(b) State that the financial statements have been audited;

(c) Identify the title of each statement that comprises the financial statements;
(d) Refer to the summary of significant accounting policies and other explanatory notes information; and
(e) Specify the date or period covered by each financial statement comprising the financial statements.

Management’s Responsibility for the Financial Statements [ISSUE F.2.1]

A2324. The term “management” has been used in this ISA to describe the responsibilities of those in the organization that are responsible for the preparation and presentation of the financial statements. The auditor’s report need not refer specifically to “management,” but shall use the term management. Other terms may be used, depending on the context of the legal framework in the particular jurisdiction. For example, in some jurisdictions, the appropriate reference may be to those charged with governance (for example, the directors).

2425. The auditor’s report shall include a section with the heading “Management’s Responsibility for the Financial Statements.”

A2326. The auditor’s report shall describe management’s responsibility for the financial statements in the manner in which that responsibility is described in the terms of the audit engagement. In the Management’s Responsibility for the Financial Statements section, the auditor’s report shall include an explanation that management is responsible for the preparation and presentation of the financial statements in accordance with the applicable financial reporting framework, and that this responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error.

(a) Designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error;
(b) Selecting and applying appropriate accounting policies; and
(c) Making accounting estimates that are reasonable in the circumstances.

2327. Where the financial statements are prepared in accordance with a fair presentation framework, the explanation of management’s responsibility for the financial statements in the auditor’s report shall refer to “the preparation and fair presentation of the financial statements” or “the preparation and presentation of financial statements that give a true and fair view,” as appropriate in the circumstances, instead of “preparation and presentation.”

Auditor’s Responsibility

2428. The auditor’s report shall include a section with the heading “Auditor’s Responsibility.”

2529. In the Auditor’s Responsibility section, the auditor’s report shall state that the responsibility of the auditor is to express an opinion on the financial statements based on
2630. The auditor’s report shall state that the audit was conducted in accordance with International Standards on Auditing. The auditor’s report shall also explain that those standards require that the auditor comply with ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. (Ref: Para. A2\textsuperscript{26}-A2\textsuperscript{27})

2731. The auditor’s report shall describe an audit by stating that:

(a) An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements;

(b) The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and presentation of the financial statements 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. In circumstances when the auditor also has a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, the auditor shall omit the phrase that the auditor’s consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of internal control; and

(c) An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the financial statements.

2832. Where the financial statements are prepared in accordance with a fair presentation framework, the description of the audit in the auditor’s report shall refer to “the entity’s preparation and fair presentation of the financial statements” or “the entity’s preparation and presentation of financial statements that give a true and fair view,” as appropriate in the circumstances, instead of “preparation and presentation.”

2933. The auditor’s report shall state whether the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor’s opinion.

Auditor’s Opinion (Ref: Para. A2\textsuperscript{27}-A34)

3034. The auditor’s report shall include a section with the heading “Opinion.”

3435. When expressing an unmodified opinion on financial statements prepared and presented in accordance with a fair presentation framework, the auditor’s opinion shall, unless otherwise required by law or regulation, use one of the following phrases, which are regarded as being equivalent: (Ref: Para. A2\textsuperscript{28}-A35)

(a) The financial statements present fairly, in all material respects, in accordance with [the applicable financial reporting framework]; or
(b) The financial statements give a true and fair view in accordance with [the applicable financial reporting framework].

3236. When expressing an unmodified opinion on financial statements prepared and presented in accordance with a compliance framework, the auditor’s opinion shall be that the financial statements are prepared, in all material respects, in accordance with [the applicable financial reporting framework]. (Ref: Para. A28, A30-A35)

3237. When the reference to the applicable financial reporting framework in the auditor’s opinion is not to unmodified International Financial Reporting Standards issued by the International Accounting Standards Board or International Public Sector Accounting Standards issued by the International Public Sector Accounting Standards Board, the auditor’s opinion shall identify the jurisdiction or country of origin of the framework.

Emphasis of Matters and Other Matters [ISSUE E.3]

3438. Law or regulation may require the auditor, or the auditor may consider it appropriate, to elaborate on matters that provide further explanation of the auditor’s responsibilities in the audit of the financial statements or of the auditor’s report thereon. Such matters shall be addressed under the heading “Other Matters,” which follows the Opinion section. When the auditor determines it necessary to draw users’ attention to a matter presented or disclosed in the financial statements that, in the auditor’s judgment, is of such importance that it is fundamental to the users’ understanding of the financial statements, the auditor shall include an Emphasis of Matter paragraph in the auditor’s report in accordance with ISA 706 (Revised and Redrafted). If the auditor determines it is necessary to communicate matter(s) other than those presented or disclosed in the financial statements that are relevant to users’ understanding of the audit or the auditor’s responsibilities, and this is not prohibited by law or regulation, the auditor shall include an Other Matter(s) paragraph in the auditor’s report in accordance with ISA 706 (Revised and Redrafted). (Ref: Para. A35-A36-A38)

Other Reporting Responsibilities [ISSUE E.4]

3539. When the auditor addresses other reporting responsibilities in the auditor’s report on the financial statements that are in addition to the auditor’s responsibility to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework, these other reporting responsibilities shall be addressed in a separate section in the auditor’s report following the Opinion section. This separate section shall be sub-titled “Report on Other Legal and Regulatory Requirements,” or otherwise as appropriate to the content of the section. (Ref: Para. A37-A38 A39-A40)

3640. If the auditor’s report contains a separate section on other reporting responsibilities, the headings, and statements and explanations referred to in paragraphs 20-34, 23-37 and,

47. That is, when it is possible to make an explicit and unreserved statement of compliance with International Financial Reporting Standards (as opposed to the circumstances described in paragraph A9).

Signature of the Auditor

The auditor’s report shall be signed. (Ref: Para. A4042)

Date of the Auditor’s Report [ISSUE G.2]

The auditor’s report shall be dated no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor’s opinion on the financial statements. Sufficient appropriate audit evidence shall include including evidence that: (Ref: Para. A4143-A4446)

(a) All the statements that comprise the financial statements, including the related notes, have been prepared; and

(b) Those with the recognized authority have asserted that they have taken responsibility for them those financial statements.

Auditor’s Address

The auditor’s report shall name the location in the country or jurisdiction where the auditor practices.

Auditor’s Report for Audits Conducted in Accordance with Both International Standards on Auditing and Auditing Standards of a Specific Jurisdiction or Country [ISSUE F.2.2]

When the auditor has complied with both International Standards on Auditing ISAs and the auditing standards of a specific jurisdiction or country (for purposes of this ISA hereinafter referred to as “the national auditing standards”) in the conduct of the audit, the auditor’s report shall may refer to International Standards on Auditing in addition to the national auditing standards. The auditor’s report shall contain such reference only if: (Ref: Para. A4547-A4749)

(a) There is no conflict between the reporting requirements regarding the auditor’s report in International Standards on Auditing ISAs and those in the national auditing standards that affects the auditor’s would lead the auditor (i) to form a different opinion, or (ii) the need not to include an Emphasis of Matters paragraph that, in the particular circumstances, is required by ISAs; and

(b) The auditor’s report includes, at a minimum, each of the following elements when the auditor uses the layout or wording specified by the national auditing standards:

(i) A title;

(ii) An addressee, as required by the circumstances of the engagement;

(iii) An introductory paragraph that identifies the financial statements audited;
(iv) A description of management’s responsibility of management (or other appropriate term, see paragraph 24) for preparing and presenting the preparation and presentation of the financial statements;

(v) A description of the auditor’s responsibility to express an opinion on the financial statements and the scope of the audit, that includes:

- A reference to International Standards on Auditing and the national auditing standards; and

- A description of the work an auditor performs in an audit in accordance with those standards;

(vi) An opinion paragraph containing an expression of opinion on the financial statements and a reference to the applicable financial reporting framework used to prepare the financial statements (including identifying the country jurisdiction of origin of the financial reporting framework that is not International Financial Reporting Standards issued by the International Accounting Standards Board or International Public Sector Accounting Standards issued by the International Public Sector Accounting Standards Board);

(vii) The auditor’s signature;

(viii) The date of the auditor’s report; and

(ix) The auditor’s address.

4145. When the auditor’s report refers to both International Standards on Auditing and the national auditing standards, the auditor’s report shall identify the jurisdiction or country of origin of the national auditing standards.

Auditor’s Report Prescribed by Law or Regulation

4246. When the audit is conducted in accordance with International Standards on Auditing ISAs and the auditor is required by law or regulation to use a specific layout or wording of the auditor’s report, the auditor’s report shall refer to International Standards on Auditing only if the conditions in paragraph 40-44 are met, with References to national auditing standards in paragraph 40-44 being shall be read as references to the relevant law or regulation, where appropriate, and The auditor’s report shall thereby identify such law or regulation. (Ref: Para. A447-A449)

Supplementary Information Presented with the Financial Statements (Ref: Para. A450-A456)

4347. Supplementary information that is not required by the applicable financial reporting framework and that, because of its nature and how it is presented, cannot be clearly differentiated from the audited financial statements because of its nature and how it is presented, is considered to be an integral part thereof of the financial statements and, accordingly, is covered by the auditor’s opinion.
The auditor shall evaluate whether supplementary information that is presented together with the audited financial statements (but that is not an integral part thereof) and that is not intended to be covered by the auditor’s opinion is clearly differentiated from the audited financial statements. If such supplementary information is not clearly differentiated from the audited financial statements, the auditor shall ask management to change how the unaudited supplementary information is presented. If management refuses to do so, the auditor shall explain in the auditor’s report that such information has not been audited.

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Application and Other Explanatory Material

Qualitative Aspects of the Entity’s Accounting Practices (Ref: Para. 12) [ISSUE B.1]

A1. Management makes a number of judgments about the amounts and disclosures in the financial statements.

[ISSUE E.1.1] A2. ISA 260 (Revised and Redrafted) contains a discussion of the qualitative aspects of accounting practices. In considering the qualitative aspects of the entity’s accounting practices, the auditor may become aware of possible bias in management’s judgments. The auditor may conclude that the cumulative effect of a lack of neutrality, together with the effect of uncorrected misstatements, causes the financial statements as a whole to be materially misstated. Indicators of a lack of neutrality that may affect the auditor’s evaluation of whether the financial statements as a whole are materially misstated include the following:

- The selective correction of misstatements brought to management’s attention during the audit (e.g., correcting misstatements with the effect of increasing reported earnings, but not correcting misstatements that have the effect of decreasing reported earnings).
- Possible management bias in the making of accounting estimates.

A23. [Proposed] ISA 540 (Revised and Redrafted), “Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures” addresses possible management bias in making accounting estimates. Indicators of possible management bias do not constitute misstatements for purposes of drawing conclusions on the reasonableness of individual accounting estimates. They may, however, affect the auditor’s evaluation of whether the financial statements as a whole are free from material misstatement.

12 ISA 260 (Revised and Redrafted), “Communication with Those Charged with Governance,” Appendix 2.
Disclosure of the Effect of Material Transactions and Events on the Information Conveyed in the Financial Statements (Ref: Para. 13(e)) [ISSUE E.1.3]

A4. It is common for financial statements prepared in accordance with a general purpose framework to convey an entity’s financial position, financial performance and cash flows. In such circumstances, the auditor’s evaluation includes whether the financial statements provide adequate disclosures to enable the intended users to understand the effect of material transactions and events on the entity’s financial position, financial performance and cash flows.

Description of the Applicable Financial Reporting Framework (Ref: Para. 12-15)

A3. As explained in [proposed] ISA 200 (Revised and Redrafted), “Overall Objective of the Independent Auditor, and the Conduct of an Audit in accordance with International Standards on Auditing,” management is responsible for preparing and presenting the preparation and presentation of the financial statements in accordance with the applicable financial reporting framework and for an adequately describing description of that framework in the financial statements. That description is important because it advises users of the financial statements of the framework on which the financial statements are based.

A4. A description that the financial statements are prepared and presented in accordance with a particular applicable financial reporting framework is appropriate only if the financial statements comply with all the requirements of that framework that are effective at the date of during the period covered by the financial statements.

A5. A description of the applicable financial reporting framework that contains imprecise qualifying or limiting language (e.g., “the financial statements are in substantial compliance with International Financial Reporting Standards”) is not an adequate description of that framework as it may mislead users of the financial statements.

Reference to More than One Financial Reporting Framework [ISSUE B.3]

A6. In some cases, the financial statements may represent that they are prepared and presented in accordance with two financial reporting frameworks (e.g., the national framework and International Financial Reporting Standards). This may be because management is required, or has chosen, to prepare the financial statements in accordance with both frameworks, in which case both are applicable financial reporting frameworks. Such description is appropriate only if the financial statements comply with each of the frameworks individually. To be regarded as being prepared in accordance with both frameworks, the financial statements need to comply with both frameworks simultaneously and without any need for reconciling statements. In practice, simultaneous compliance is unlikely unless the country jurisdiction has adopted the other framework (e.g., International Financial Reporting Standards) as its own national financial reporting framework, or has eliminated all barriers to compliance with it.

14 ISA 200 (Revised and Redrafted), paragraph A2-A3.
A79. Financial statements that are prepared and presented in accordance with one financial reporting framework and that contain a note or supplementary statement reconciling the results to those that would be shown under another framework, are not prepared and presented in accordance with that other framework. This is because the financial statements do not include all the information in the manner required by that other framework.

A810. The financial statements may, however, be prepared in accordance with one applicable financial reporting framework and, in addition, describe in the notes to the financial statements the extent to which the financial statements comply with another framework (e.g., financial statements prepared and presented in accordance with the national framework that also describe the extent to which they comply with International Financial Reporting Standards). Such description is supplementary financial information and, as discussed in paragraph 43_47, is considered an integral part of the financial statements and, accordingly, is covered by the auditor’s opinion.


A911. An authorized or recognized standards setting organization, or relevant law or regulation, may describe the applicable financial reporting framework by reference to International Financial Reporting Standards the financial reporting framework of another authorized or recognized standards setting organization, even though the applicable financial reporting framework is such that management cannot make an explicit and unreserved statement of compliance with International Financial Reporting Standards that other framework—(Examples of such descriptions include “International Financial Reporting Standards as adopted for use in [country X]” and e.g., “International Financial Reporting Standards as modified by banking regulators [industry supervisor or regulator] for the use of banks [industry] in [jurisdiction X]”). A10. If such a description is not required by the authorized or recognized standards setting organization or relevant law or regulation, the applicable financial reporting framework may be described without reference to International Financial Reporting Standards that other framework if such a description is not required by an authorized or recognized standards setting organization or relevant law or regulation (e.g., “in accordance with the Financial Reporting Standards of [jurisdiction X]).

A912. In such circumstances, [proposed] International Accounting Standard (IAS) 1, “Presentation of Financial Statements”44 If the applicable financial reporting framework has to be described with reference to that other framework, and management cannot make an explicit and unreserved statement of compliance with that other framework, the description of the applicable financial reporting framework could be misleading if the effect on the financial statements of the difference between the applicable financial

44 The proposed amendment to International Accounting Standard (IAS) 1, “Presentation of Financial Statements” will form part of the annual improvements process of the International Accounting Standards Board. The exposure draft of the IASB will be published in October 2007. The proposed amendment to IAS 1 is posted on the IASB website (http://www.iasb.org) as an invitation to comment.
reporting framework and that other framework could be significant requires and the entity 
to does not include further information in the financial statements. Such further 
information may include:

(a) Describe—A description of each difference between the basis on which its financial 
statements are prepared and International Financial Reporting Standards that other 
framework that are is applicable to its financial statements; and or

(b) Describe—A description (not necessarily quantified) of how the reported financial 
position and performance of the entity would have differed if it had complied with 
International Financial Reporting Standards that other framework.

If the framework is described by reference to International Financial Reporting Standards, 
but the framework does not require the entity to disclose the information in (a) and (b) 
above and the financial statements do not in fact disclose such information, the 
description is likely to be misleading if the effect on financial statements of the difference 
between the framework and International Financial Reporting Standards may be significant.

A11. Where the applicable financial reporting framework is described by reference to an 
established financial reporting framework other than International Financial Reporting 
Standards, considerations similar to those in paragraphs A9-A10 would apply.

Form of Opinion (Ref: Para. 43-16 18-19)

A12. In accordance with [proposed] ISA 705 (Revised and Redrafted), the auditor expresses a 
modified opinion when:

(a) The auditor concludes that, based on the audit evidence obtained, the financial 
statements are not free from material misstatement; or

(b) The auditor is unable to obtain sufficient appropriate audit evidence to conclude that 
the financial statements are free from material misstatement.

A13. There may be cases where the financial statements, although prepared and presented in 
accordance with the specific requirements of a fair presentation framework, do not 
achieve fair presentation. Where this is the case, it may be possible for management has a 
responsibility to provide include additional disclosures in the financial statements beyond 
the specific requirements of those specifically required by the framework or, in extremely 
rare circumstances, to depart from a specific requirement in the framework in order to 
achieve fair presentation of the financial statements, as explained in [proposed] ISA 200 
(Revised and Redrafted).

[ISSUE E.2] A14. It will be extremely rare for the auditor to consider financial statements 
that are prepared and presented in accordance with a compliance framework to be 
misleading if, in accordance with [proposed] ISA 210 (Redrafted), “Terms of Audit 
Engagements,” the auditor determined that the framework is acceptable. 16

Auditor’s Report (Ref: Para.47 20)

A15. A written report encompasses reports issued in hard copy format and those using an electronic medium.


Auditor’s Report for Audits Conducted in Accordance with International Standards on Auditing

Title (Ref: Para.48 21)

A17. A title indicating the report is the report of an independent auditor, for example, “Independent Auditor’s Report,” affirms that the auditor has met all of the relevant ethical requirements regarding independence and, therefore, distinguishes the independent auditor’s report from reports issued by others.

Addressee (Ref: Para.49 22)

A18. Laws or regulations often specify to whom the auditor’s report is to be addressed in that particular jurisdiction. The auditor’s report is normally addressed to those for whom the report is prepared, often either to the shareholders or to those charged with governance of the entity whose financial statements are being audited.

Introductory Paragraph (Ref: Para.20 23)

A19. The introductory paragraph states, for example, that the auditor has audited the accompanying financial statements of the entity, which comprise [state the title of each financial statement comprising the complete set of financial statements required by the applicable financial reporting framework (or, where applicable, the title of the single financial statement)], specifying the date or period covered by each financial statement and referring to the summary of significant accounting policies and other explanatory notes information.

A20. In addition, w When the auditor is aware that the audited financial statements will be included in a document that contains other information, such as an annual report, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the audited financial statements are presented. This helps users to identify the financial statements to which the auditor’s report relates.

A201. In the case of a complete set of financial statements, The auditor’s opinion covers the complete set of financial statements as defined by the applicable financial reporting framework. For example, in the case of financial statements prepared in accordance with many general purpose frameworks, this the financial statements includes: a balance sheet, an income statement, a statement of changes in equity, a cash flow statement, and a summary of significant accounting policies and other explanatory notes information. In some jurisdictions additional information might also be considered to be an integral part of the financial statements.
Management’s Responsibility for the Financial Statements (Ref: Para. 22 26) [ISSUE F2.1]

A222. [Proposed]– ISA 200 (Revised and Redrafted) explains the premises, relating to management’s responsibilities, on which an audit in accordance with ISAs is conducted.17 Management is responsible for preparing and presenting the preparation and presentation of the financial statements in accordance with the applicable financial reporting framework. For example, in the case of many general purpose frameworks, management is responsible for preparing the preparation and presentation of financial statements that fairly present the financial position, financial performance and cash flows of the entity in accordance with those frameworks. To fulfill this responsibility, management designs and implements includes the design, implementation and maintenance of internal control to prevent or to detect and correct misstatements relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error, in order to ensure the reliability of the entity’s financial reporting. The preparation of the financial statements requires management to exercise judgment in making accounting estimates that are reasonable in the circumstances, as well as to select and apply appropriate accounting policies. These judgments are made in the context of the applicable financial reporting framework. In some jurisdictions, law or regulation prescribing management’s responsibilities may specifically refer to a responsibility for the adequacy of accounting books and records, or accounting system. As books, records and systems are an integral part of internal control (as defined in ISA 315 (Redrafted) 18) no specific reference is made to them in paragraph 26 for the description of management’s responsibilities.

A223. There may be circumstances when it is appropriate for the auditor to add to the description of management’s responsibilities responsibility in paragraph 22 26 to reflect additional responsibilities that are relevant to preparing and presenting the preparation and presentation of the financial statements in the context of the particular jurisdiction or the nature of the entity.

A2324. In some jurisdictions, law or regulation may provide for management’s responsibilities which are equivalent in effect to those set out in [proposed] ISA 210 (Redrafted), although they may be described differently. For those management’s responsibilities that are equivalent, the auditor may use the wording of the law or regulation to describe them in the terms of the audit engagement. [Proposed] ISA 210 (Redrafted) explains that, if law or regulation prescribes the responsibilities of management and, where appropriate, those charged with governance in relation to financial reporting, the auditor may determine that the law or regulation includes responsibilities that are equivalent in effect to those set out in [proposed] ISA 210 (Redrafted). For such responsibilities that are equivalent, the auditor may use the wording

17 ISA 200 (Revised and Redrafted), paragraph 4.
18 In some jurisdictions, law or regulation prescribing management’s responsibilities may specifically refer to a responsibility for the adequacy of accounting books and records, or accounting system. As books, records and systems are an integral part of internal control (as defined in ISA 315 (Redrafted), “Identifying and Assessing the Risks of Material Misstatements Through Understanding the Entity and Its Environment,”), no specific reference is made to them in paragraph 22 for the description of management’s responsibilities paragraph 4(c).
of the law or regulation to describe them in the engagement letter or other suitable form of written agreement. For those that are not prescribed by law or regulation such that their effect is equivalent, the engagement letter or other suitable form of written agreement reflects the description in [proposed] ISA 210 (Redrafted). 19

Auditor’s Responsibility (Ref: Para. 26 29-30)

A2426. The auditor's report states that the auditor’s responsibility is to express an opinion on the financial statements based on the audit in order to contrast it to management’s responsibility for preparing and presenting the preparation and presentation of the financial statements.

A2526. The reference to the standards used conveys to the users of the auditor’s report that the audit has been conducted in accordance with established standards.

A2627. In accordance with [proposed] ISA 200 (Revised and Redrafted), the auditor does not represent compliance with International Standards on Auditing ISAs in the auditor’s report unless the auditor has complied with the requirements of ISA 200 (Revised and Redrafted) and all of the other International Standards on Auditing ISAs relevant to the audit.20

Auditor’s Opinion (Ref: Para. 30-33 35-37)

Wording of the auditor’s opinion prescribed by law or regulation

A28. [Proposed] ISA 210 (Redrafted) explains that, in some cases, law or regulation prescribes the wording of the auditor’s opinion in terms that are significantly different from the requirements of ISAs. In these circumstances, the auditor evaluates:

(a) Whether users might misunderstand the assurance obtained from the audit of the financial statements and, if so,

(b) Whether additional explanation in the auditor’s report can mitigate possible misunderstanding.

If the auditor concludes that additional explanation in the auditor’s report cannot mitigate possible misunderstanding, [proposed] ISA 210 (Redrafted) does not permit the auditor to accept the audit engagement, unless prohibited by law or regulation from doing so. In accordance with [proposed] ISA 210 (Redrafted), an audit conducted in accordance with such law or regulation does not comply with ISAs. Accordingly, the auditor does not include a reference in the auditor’s report to the audit having been conducted in accordance with International Standards on Auditing.21

“Give a true and fair view” or “Present fairly, in all material respects” or “give a true and fair view”

20  ISA 200 (Revised and Redrafted), paragraphs 20.
21  [Proposed] ISA 210 (Redrafted), paragraphs [17].
A2729. Whether the phrase “give a true and fair view” or the phrase “present fairly, in all material respects,” or the phrase “give a true and fair view” is used in any particular jurisdiction is determined by the law or regulation governing the audit of financial statements in that jurisdiction, or by generally accepted practice in that jurisdiction. Where law or regulation requires the use of different wording, this does not affect the auditor’s responsibility requirement in paragraph 14 of this ISA for the auditor to evaluate the fair presentation of financial statements prepared and presented in accordance with a fair presentation framework. ISA 210 deals with circumstances where law or regulation prescribes wording for the auditor’s opinion that differs significantly from the wording described in this ISA.

Description of information that the financial statements present

A2830. In the case of financial statements prepared and presented in accordance with a fair presentation framework, the auditor’s opinion states that the financial statements give a true and fair view of or present fairly, in all material respects, or give a true and fair view of the information that the financial statements are designed to present (which is determined by the financial reporting framework). For example, in the case of a complete set of financial statements, the auditor’s opinion states that the financial statements give a true and fair view of or present fairly, in all material respects, or give a true and fair view of the financial position of the entity as at the end of the period and the entity’s financial performance and cash flows for the period then ended in accordance with [identify the applicable financial reporting framework, for example, International Financial Reporting Standards].

Description of the applicable financial reporting framework and how it may affect the auditor’s opinion

A2931. The auditor’s opinion identifies identification of the applicable financial reporting framework on which the financial statements are based in the auditor’s opinion to advise users of the auditor’s report of the context in which the auditor’s opinion is expressed; it is not intended to limit the matters the auditor considers in forming that opinion. The applicable financial reporting framework is identified in such terms as:

“… in accordance with International Financial Reporting Standards” or
“… in accordance with accounting principles generally accepted in Country Jurisdiction X …”

A3032. When the applicable financial reporting framework encompasses financial reporting standards and legal or regulatory requirements, the framework is identified in such terms as “… in accordance with International Financial Reporting Standards and the requirements of Country Jurisdiction X Corporations Act.” [Proposed] ISA 210 (Redrafted) deals with circumstances where there are conflicts between the financial reporting standards and the legislative or regulatory requirements.22

22 [Proposed] ISA 210 (Redrafted), paragraphs [18].
As indicated in paragraph A68, the financial statements may be prepared and presented in accordance with two financial reporting frameworks, which are therefore both applicable financial reporting frameworks. Accordingly, each framework is considered separately when forming the auditor’s opinion on the financial statements, and the auditor’s opinion in accordance with paragraphs 31 and 32 refers to both frameworks as follows:

(a) If the financial statements comply with each of the frameworks individually, two opinions are expressed: that is, that the financial statements are prepared and presented in accordance with one of the applicable financial reporting frameworks (e.g., the national framework) and an separate opinion that the financial statements are prepared and presented in accordance with the other applicable financial reporting framework (e.g., International Financial Reporting Standards). These opinions may be expressed separately or in a single sentence (e.g., the financial statements are prepared, in all material respects, in accordance with accounting principles generally accepted in Jurisdiction X and with International Financial Reporting Standards).

(b) If the financial statements comply with one of the frameworks but fail to comply with the other framework, an unmodified opinion can be given that the financial statements are prepared and presented in accordance with the one framework (e.g., the national framework) but a modified opinion given with regard to the other framework (e.g., International Financial Reporting Standards) in accordance with ISA 705 (Revised and Redrafted).

As indicated in paragraph A8, the financial statements may represent compliance with the applicable financial reporting framework and, in addition, disclose the extent to which they comply with another financial reporting framework other than the applicable financial reporting framework.

(a) If the financial statements fail to comply with the applicable financial reporting framework because the disclosure as to the compliance with the other framework is misleading, a modified opinion would be expressed in accordance with ISA 705 (Revised and Redrafted).

(b) If the disclosure is not misleading, but the auditor judges it to be of such importance that it is fundamental to the users’ understanding of the financial statements, the auditor may nevertheless decide to add an Emphasis of Matter paragraph in accordance with ISA 706 (Revised and Redrafted), drawing attention to the disclosure, if such disclosure is significant.

As indicated in paragraph A9, an authorized or recognized standards setting organization, or law or regulation, may describe the applicable financial reporting framework by reference to International Financial Reporting Standards the financial reporting framework of another authorized or recognized standards setting organization, even though the applicable financial reporting framework is such that management cannot make an explicit and unreserved statement that the applicable financial reporting framework complies with International Financial Reporting Standards.
Reporting Standards of compliance with that other framework. If, in such circumstances:

(a) If the financial statements do not provide sufficient disclosure include further information (see paragraph A12) of the differences and the auditor concludes that, in the particular circumstances, they the financial statements without such information are misleading (see paragraph A9), the auditor’s a modified opinion would be modified is expressed in accordance with [proposed] ISA 705 (Revised and Redrafted) as appropriate in the circumstances.

(b) If the financial statements do provide sufficient disclosure include further information (see paragraph A12) of the difference and are therefore not misleading (see paragraph A9), and the auditor judges the information to be of such importance that it is fundamental to the users’ understanding of the financial statements, the auditor may nevertheless decide to add an Emphasis of Matter paragraph is added in accordance with [proposed] ISA 706 (Revised and Redrafted) if the auditor judges the differences between the applicable financial reporting framework and International Financial Reporting Standards to be of such importance to users’ understanding of the financial statements as a whole that it would be appropriate to drawing their attention to it the information.

(c) In some cases, financial statements prepared and presented in accordance with an applicable financial reporting framework described by reference to International Financial Reporting Standards may also comply with all the requirements of International Financial Reporting Standards applicable in the circumstances. If the financial statements represent, and the auditor concludes, that the financial statements comply with both the applicable financial reporting framework and International Financial Reporting Standards individually, the auditor may express two opinions, that is that the financial statements are prepared and presented in accordance with the applicable financial reporting framework and a separate opinion that the financial statements are prepared and presented in accordance with International Financial Reporting Standards.

A34. Where the applicable financial reporting framework is described by reference to an established financial reporting framework other than International Financial Reporting Standards, considerations similar to those in paragraph A33 would apply.

Emphasis of Matters and Other Matters (Ref: Para. A4.38) [ISSUE E.3]

A35. Where relevant, one or more sub-headings may be used that describe the content of the other matters paragraphs.

A36. [Proposed] ISA 706 (Revised and Redrafted) deals with other circumstances in which the inclusion of an Emphasis of Matter or Other Matter(s) paragraph in the auditor’s report may be—appropriate necessary. Paragraphs A3637-A3738 of this ISA describe circumstances in which an Other Matter(s) paragraph in the auditor’s report may be necessary.
Restriction on distribution or use

A37. Financial statements prepared for a specific purpose may be prepared in accordance with a general purpose framework because the intended users have determined that such general purpose financial statements meet their financial information needs. Since the auditor’s report is intended for specific users, the auditor may determine it necessary in the circumstances to include an Other Matter(s) paragraph, stating that the auditor’s report is intended solely for the intended users, and should not be distributed to or used by other parties.

Reporting on more than one set of financial statements

A38. An entity may prepare one set of financial statements in accordance with a general purpose framework (e.g., the national framework) and another set of financial statements in accordance with another general purpose framework (e.g., International Financial Reporting Standards), and engage the auditor to report on both sets of financial statements. If the auditor has determined that the frameworks are acceptable in the respective circumstances, the auditor may include an Other Matter(s) paragraph in the auditor’s report, referring to the fact that another set of financial statements has been prepared by the same entity in accordance with another general purpose framework and that the auditor has issued a report on those financial statements.

Other Reporting Responsibilities (Ref: Para. 35-36 39-40 [ISSUE E.4])

A39. In some jurisdictions, the auditor may have additional responsibilities to report on other matters that are supplementary to the auditor’s responsibility to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. For example, the auditor may be asked to report certain matters if they come to the auditor’s attention during the course of the audit of the financial statements. Alternatively, the auditor may be asked to perform and report on additional specified procedures, or to express an opinion on specific matters, such as the adequacy of accounting books and records. Auditing standards in the specific jurisdiction or country often provide guidance on the auditor’s responsibilities with respect to specific additional reporting responsibilities in that jurisdiction or country.

A40. In some cases, the relevant law or regulation may require or permit the auditor to report on these other responsibilities within the auditor’s report on the financial statements. In other cases, the auditor may be required or permitted to report on them in a separate report.

A41. These other reporting responsibilities are addressed in a separate section of the auditor’s report in order to clearly distinguish them from the auditor’s responsibilities for and opinion on whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. Where relevant, this section may contain sub-heading(s) that describe(s) the content of the other reporting responsibility paragraph(s).
Signature of the Auditor (Ref: Para. 47-41)

A4042. The auditor’s signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate for the particular jurisdiction. In addition to the auditor’s signature, in certain jurisdictions, the auditor may be required to declare in the auditor’s report the auditor’s professional accountancy designation or the fact that the auditor or firm, as appropriate, has been recognized by the appropriate licensing authority in that jurisdiction.

Date of the Auditor’s Report (Ref: Para. 38-42) [ISSUE G.2]

A4143. The date of the auditor’s report informs the user of the auditor’s report that the auditor has considered the effect of events and transactions of which the auditor became aware and that occurred up to that date. The auditor’s responsibility for events and transactions after the date of the auditor’s report is addressed in proposed ISA 560 (Redrafted), “Subsequent Events.”

A4244. Since the auditor’s opinion is provided on the financial statements and the financial statements are the responsibility of management, the auditor is not in a position to conclude that sufficient appropriate audit evidence has been obtained until evidence is obtained that all the statements that comprise the financial statements, including the related notes, have been prepared and management has accepted responsibility for them.

A4345. In some jurisdictions, the law or regulation identifies the individuals or bodies (e.g., the directors) that are responsible for concluding that all the statements that comprise the financial statements, including the related notes, have been prepared, and specifies the necessary approval process. In such cases, evidence is obtained of that approval before dating the report on the financial statements. In other jurisdictions, however, the approval process is not prescribed in law or regulation. In such cases, the procedures the entity follows in preparing and finalizing its financial statements in view of its management and governance structures is considered in order to identify the individuals or body with the authority to conclude that all the statements that comprise the financial statements, including the related notes, have been prepared. In rare circumstances, law or regulation identifies the point in the financial statement reporting process at which the audit is expected to be complete.

A4446. In some jurisdictions, final approval of the financial statements by shareholders is required before the financial statements are issued publicly. In these jurisdictions, final approval by shareholders is not necessary for the auditor to conclude that sufficient appropriate audit evidence has been obtained. The date of approval of the financial statements for purposes of International Standards on Auditing ISAs is the earlier date on which those with the recognized authority determine that all the statements that comprise the financial statements, including the related notes, have been prepared.

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24 In rare circumstances, law or regulation also identifies the point in the financial statement reporting process at which the audit is expected to be complete.
Auditor’s Report for Audits Conducted in Accordance with Both International Standards on Auditing and Auditing Standards of a Specific Jurisdiction or Country or Auditor’s Report Prescribed by Law or Regulation (Ref: Para. 40-42 44-46)

A4547. [Proposed] ISA 200 (Revised and Redrafted) explains that the auditor may be required to comply with other professional, legal or regulatory requirements in addition to International Standards on Auditing ISAs.25 Where this is the case, the auditor may be obliged to use a layout or wording in the auditor’s report that differs from that described in this ISA. As explained in paragraph 3.4, consistency in the auditor’s report, when the audit has been conducted in accordance with International Standards on Auditing ISAs, promotes credibility in the global marketplace by making more readily identifiable those audits that have been conducted in accordance with globally recognized standards. When the differences between the professional, legal or regulatory requirements and ISAs relate only to the layout and wording of the auditor’s report and, at a minimum, each of the elements identified in paragraph 44(b) are included in the auditor’s report, the auditor’s report may refer to International Standards on Auditing only if the auditor’s report includes, at a minimum, each of the elements identified in paragraph 44(b). Accordingly, in such circumstances the auditor is considered to have complied with the reporting requirements of International Standards on Auditing ISAs, even when the layout and wording used in the auditor’s report are specified by the national auditing standards (or legal or regulatory reporting requirements). Where specific requirements in a particular jurisdiction do not conflict with International Standards on Auditing ISAs, adoption of the layout and wording used in this ISA assists users of the auditor’s report more readily to recognize the auditor’s report as a report on an audit conducted in accordance with International Standards on Auditing ISAs.

A4648. The auditor may refer in the auditor’s report to the audit having been conducted in accordance with both International Standards on Auditing as well as the national auditing standards when the auditor complies with each of the International Standards on Auditing ISAs relevant to the audit and performs any additional audit procedures necessary to comply with the relevant national auditing standards.

A4749. A reference to both International Standards on Auditing and the national auditing standards (or legal or regulatory reporting requirements) is not appropriate if there is a conflict between the reporting requirements regarding the auditor’s report in International Standards on Auditing ISAs and those in the national auditing standards (or legal or regulatory reporting requirements) that affects the auditor’s report.26 This requirement is intended to prevent an auditor from complying with a national auditing standard that is inconsistent with an ISA. For example, some national auditing standards prohibit the auditor from including an Emphasis of Matter paragraph that is required by ISAs. For example, some national auditing standards prohibit the auditor from including an Emphasis of Matter paragraph that is required by ISAs. This requirement is intended to prevent an auditor from complying with a national auditing standard that is inconsistent with an ISA. For example, some national auditing standards prohibit the auditor from including an Emphasis of Matter paragraph that is required by ISAs.26 In such a case, the auditor’s report refers only to the auditing standards that are consistent with the ISAs.

25 ISA 200 (Revised and Redrafted), paragraph A55.
26 ISA 570 (Redrafted), “Going Concern,” paragraph 19.
(either International Standards on Auditing or the national auditing standards) in accordance with which the auditor has complied with the reporting requirements auditor’s report has been prepared.

**Supplementary Information Presented with the Financial Statements** (Ref: Para. 43-44 47-48)

A4850. In some circumstances, the entity may be required by law, regulation or standards, or may voluntarily choose, to present together with the financial statements supplementary information that is not required by the applicable financial reporting framework. For example, supplementary information might be presented to enhance a user’s understanding of the applicable financial reporting framework or to provide further explanation of specific financial statement items. Such information is normally presented in either supplementary schedules or as additional notes.

A4951. The auditor’s opinion is considered to cover supplementary information that cannot be clearly differentiated from the financial statements because of its nature and how it is presented. For example, the auditor’s opinion covers notes or supplementary schedules that are cross-referenced from the financial statements. This would also be the case when the notes to the financial statements include an explanation of the extent to which the financial statements comply with another financial reporting framework.

A5052. Supplementary information that is covered by the auditor’s opinion does not need to be specifically referred to in the introductory paragraph of the auditor’s report when the reference to the notes in the description of the statements that comprise the financial statements in the introductory paragraph is sufficient.

A5153. Law or regulation may not require the supplementary information to be audited and management may decide not to ask the auditor to include the supplementary information within the scope of the audit of the financial statements.

A5254. The auditor’s evaluation whether unaudited supplementary information is presented in a manner that could be construed as being covered by the auditor’s opinion includes, for example, where that information is presented in relation to the financial statements and any audited supplementary information, and whether it is clearly labeled as “unaudited.”

A5355. Management could change the presentation of unaudited supplementary information that could be construed as being covered by the auditor’s opinion, for example, by:

- Removing any cross references from the financial statements to unaudited supplementary schedules or unaudited notes because so that the demarcation between the audited and unaudited information would not be sufficiently clear.

- Placing the unaudited supplementary information outside of the financial statements or, if that is not possible in the circumstances, at a minimum place the unaudited notes together at the end of the required notes to the financial statements and clearly label them as unaudited. Unaudited notes that are intermingled with the audited notes can be misinterpreted as being audited.
A5456. The fact that supplementary information is unaudited does not relieve the auditor of the responsibility to read that information to identify material inconsistencies with the audited financial statements. The auditor’s responsibilities with respect to unaudited supplementary information are consistent with those described in [proposed] ISA 720 (Redrafted), “The Auditor’s Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements.”

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27 ISA 720 (Redrafted), “The Auditor’s Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements.”
Appendix
(Ref: Para. A16)

Illustrations of Auditors’ Reports on General Purpose Financial Statements

[ISSUE G.1]

- Illustration 1: An auditor’s report on a complete set of financial statements prepared in accordance with a fair presentation framework designed to meet the common financial information needs of a wide range of users (e.g., International Financial Reporting Standards).

- Illustration 2: An auditor’s report on a complete set of financial statements prepared in accordance with a compliance framework designed to meet the common financial information needs of a wide range of users.

- Illustration 3: An auditor’s report on a single financial statement prepared in accordance with a fair presentation framework designed to meet the common financial information needs of a wide range of users.
Illustration 1:
Circumstances include the following:

- Audit of a complete set of financial statements.
- The financial statements are prepared for a general purpose by the management of the entity in accordance with International Financial Reporting Standards.
- The terms of the audit engagement reflect the description of management’s responsibility for the financial statements in [proposed] ISA 210 (Redrafted).
- In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Report on the Financial Statements

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes:

- designing, implementing and maintaining the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- selecting and applying appropriate accounting policies;
- and making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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28 The sub-title “Report on the Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

29 Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

30 Depending on the circumstances, this sentence may read: “Management is responsible for the preparation and presentation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards.”
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, (or “give a true and fair view of”) the financial position of ABC Company as at December 31, 20X1, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor’s report will vary depending on the nature of the auditor’s other reporting responsibilities.]

[Auditor’s signature]

[Date of the auditor’s report]

[Auditor’s address]

31 Depending on the circumstances, this sentence may read: “In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and presentation of financial statements that give a true and fair view 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.”

32 In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: “In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.” In the case of footnote 32, this sentence may read: “In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and presentation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances.”
Illustration 2:

Circumstances include the following:

- Audit of a complete set of financial statements required by law or regulation.
- The financial statements are prepared for a general purpose by the management of the entity in accordance with the Financial Reporting Framework (XYZ Law) of Country Jurisdiction X (i.e., a financial reporting framework, encompassing law or regulation, designed to meet the common financial information needs of a wide range of users, but which is not a fair presentation framework).
- The terms of the audit engagement reflect the description of management’s responsibility for the financial statements in [proposed] ISA 210 (Redrafted).

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes information.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and presentation of these financial statements in accordance with XYZ Law of Country Jurisdiction X. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose

33 Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.
of expressing an opinion on the effectiveness of the entity’s internal control.\textsuperscript{34} An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements of ABC Company for the year ended December 31, 20X1 are prepared, in all material respects, in accordance with XYZ Law of Country Jurisdiction X.

[Auditor’s signature]

[Date of the auditor’s report]

[Auditor’s address]

\textsuperscript{34} In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: “In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.”
Illustration 3:

Circumstances include the following:

- Audit of a balance sheet (i.e., a single financial statement).
- The balance sheet has been prepared by the management of the entity in accordance with the requirements of the Financial Reporting Framework in Country X relevant to preparing and presenting a balance sheet (for purposes of this illustration—a fair presentation framework designed to meet the common financial information needs of a wide range of users).

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

We have audited the accompanying balance sheet of ABC Company as at December 31, 20X1 and a summary of significant accounting policies and other explanatory notes (together “the financial statement”).

Management’s Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with those requirements of the Financial Reporting Framework in Country X relevant to preparing and presenting such a financial statement. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statement 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.\(^{35}\) An audit also includes

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\(^{35}\) In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statement, this sentence would be worded as follows: “In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair
evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statement presents fairly, in all material respects, the financial position of ABC Company as at December 31, 20X1 in accordance with those requirements of the Financial Reporting Framework in Country X relevant to preparing and presenting such a financial statement.

[Auditor’s signature]

[Date of the auditor’s report]

[Auditor’s address]