## PROPOSED INTERNATIONAL STANDARD ON AUDITING 700

(REDRAFTED)

THE INDEPENDENT-AUDITOR’S FORMING AN OPINION AND REPORTING ON GENERAL PURPOSE FINANCIAL STATEMENTS

(Effective for audits of financial statements for periods beginning on or after [date] December 15, 2009)

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*See footnote 1.*
Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor’s responsibility 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), “Modifications to the Opinion in the Independent Auditor’s Report” and ISA 706 (Revised and Redrafted) 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 are 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. [Proposed] ISA 800 (Revised and Redrafted) deals with special considerations when financial statements are prepared and presented in accordance with a special purpose framework. [Proposed] ISA 805 (Revised and Redrafted) 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.

4. This ISA promotes 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 December 15, 2009.

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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.”
5 This date will not be earlier than December 15, 2008.
Objectives

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 describes the basis of the opinion.

Definitions

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

(a) General purpose financial statements – Financial statements prepared and presented 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.

The term “fair presentation framework” is used to refer to a financial reporting framework that requires compliance with the 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 those specifically required by the framework; or

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

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

(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.

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 financial

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7 Paragraphs 35-36 deal with the phrases used to express this opinion in the case of a fair presentation framework and a compliance framework respectively.
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

§10. In forming an opinion whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework, the auditor shall form an opinion on whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

11. In order to form that opinion, the auditor shall conclude as to whether reasonable assurance the auditor has been obtained reasonable assurance about whether the financial statements taken as a whole are free from material misstatement, whether due to fraud or error. 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.”

(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.”

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

1012. 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)

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8 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.

9 ISA 200 (Revised and Redrafted), paragraph 11.

10 Paragraphs 35-36 deal with the phrases used to express this opinion in the case of a fair presentation framework and a compliance framework respectively.


12 ISA 450 (Revised and Redrafted), “Evaluation of Misstatements Identified during the Audit,” paragraph 11.
13. In particular, the auditor shall evaluate whether, in view of the specific requirements of 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;

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

(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)

(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 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-A414)

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 give a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.
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. A15)
(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

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” depending on the context of the circumstances. For example, in some jurisdictions, the appropriate reference may be to those charged with governance (for example, the directors).

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

The auditor’s report shall describe management’s responsibility for the preparation and presentation of 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 that are free from material misstatement, whether due to fraud or error. (Ref: Para. A2324 - A2326)

(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.

Where the financial statements are prepared and presented in accordance with a fair presentation framework, the statement 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.

Auditor’s Responsibility

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 the audit. (Ref: Para. A2427)

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 about whether the financial statements are free from material misstatement. (Ref: Para. A2528-A2629)

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 and presented 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. A27-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. A30-A40)
(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].

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. A30-A40)

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.

Other Matters

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. (Ref: Para. A35-A36)

Other Reporting Responsibilities

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 the opinion under the ISAs to report on the financial statements, these other reporting responsibilities shall be addressed in a separate section in the auditor’s report following the Opinion section. This separate section that shall be sub-titled “Report on Other Legal and Regulatory Requirements,” or otherwise as appropriate to the content of the section. (Ref: Para. A3741-A3842)

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 shall be under the sub-title “Report on the Financial Statements.” The “Report on Other Legal and Regulatory Requirements” shall follow the “Report on the Financial Statements.” (Ref: Para. A3943)

Signature of the Auditor

The auditor’s report shall be signed. (Ref: Para. A4044)

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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).
Date of the Auditor’s Report

3841. 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:

(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 those financial statements.

Auditor’s Address

3942. 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

4243. When the audit is conducted in accordance with International Standards on Auditing and if the auditor is required by law or regulation of a specific jurisdiction 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 are met (with references to national standards in paragraph 40 being 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. A45-A47)

40(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: (Ref. Para. A49)

(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 law or regulation; 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 and present the financial statements (including identifying the country jurisdiction of origin of the financial reporting framework that is not International Financial Reporting Standards or International Public Sector Accounting Standards, see paragraph 37);

(vii) The auditor’s signature;

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

(ix) The auditor’s address.

4044. When the auditor has complied with both International Standards on Auditing and may be required to conduct an audit in accordance with the auditing standards of a specific jurisdiction or country (for purposes of this ISA referred to as “the “national auditing standards”), but may additionally have complied with the ISAs in the conduct of the audit, if this is the case, the auditor’s report shall refer to International Standards on Auditing in addition to the national auditing standards, but the auditor shall do so only if: (Ref: Para. A450-A471)

(a) There is no conflict between the reporting requirements regarding the auditor’s report in International Standards on Auditing and those in the national auditing standards and those in ISAs 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 elements set out in paragraph 43(a)-(i) when the auditor uses the layout or wording specified by the national auditing standards. Reference to law or regulation in paragraph 43(e) shall be read as reference to the national auditing standards. The auditor’s report shall thereby identify such national auditing standards.

4445. When the auditor’s report refers to both International Standards on Auditing and the national auditing standards and International Standards on Auditing, the auditor’s report shall identify the jurisdiction or country of origin of the national auditing standards.

Supplementary Information Presented with the Financial Statements (Ref: Para. A4852-A4858)

4346. If supplementary information that is not required by the applicable financial reporting framework, because of its nature and how it is presented with, cannot be clearly
differentiated from the audited financial statements, is considered to be an integral part thereof and, accordingly, is covered by the auditor’s opinion.

44. The auditor shall evaluate whether such 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 supplementary information has not been audited.

45. Supplementary information that is not required by the applicable financial reporting framework but is nevertheless an integral part of the financial statements because it cannot be clearly differentiated from the audited financial statements due to its nature and how it is presented shall be covered by the auditor’s opinion.

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Application and Other Explanatory Material

Qualitative Aspects of the Entity’s Accounting Practices (Ref: Para. 40.12)

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

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.


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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.

**Disclosure of the Effect of Material Transactions and Events on the Information Conveyed in the Financial Statements (Ref: Para. 13(e))**

A4. It is common for financial statements prepared and presented in accordance with a general purpose framework to present an entity’s financial position, financial performance and cash flows. In such circumstances, the auditor evaluates 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)**

A35. 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.

A46. 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.

A57. 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**

A68. 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 and present 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 and

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16 ISA 200 (Revised and Redrafted), paragraphs A2-A3.
presented 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.

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 and presented 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, 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 framework is such that management cannot make an explicit and unreserved statement of compliance with International Financial Reporting Standards (the “other framework”). Examples of such descriptions include “International Financial Reporting Standards as adopted for use in [country X]” and the applicable financial reporting framework might be described as “International Financial Reporting Standards as modified adopted by [banking regulators] [industry supervisor or regulator] for the use of banks [industry] in [country-jurisdiction X].” In such circumstances, [proposed] International Accounting Standard (IAS) 1, “Presentation of Financial Statements” requires the entity to:

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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.
(a) Describe each difference between the basis on which its financial statements are prepared and International Financial Reporting Standards that are applicable to its financial statements; and

(b) Describe how the reported financial position and performance of the entity would have differed if it had complied with International Financial Reporting Standards.

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.

A10. The financial reporting framework may be described without reference to International Financial Reporting Standards if such a description is not required by an authorized or recognized standards setting organization or relevant law or regulation.

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.

A12. In such circumstances, users may mistakenly assume that the applicable financial reporting framework is the same as, or at least very similar to, the other framework. Therefore, when there are differences between the applicable financial reporting framework and the other framework that are significant in the context of the entity’s financial statements, there is a risk that users may misunderstand the basis on which the financial statements are prepared. For example, if the applicable financial reporting framework omits the financial reporting standard of the other framework on accounting for the effect of hyperinflation, and the entity has significant components that operate in a hyperinflationary environment, the effect of such a difference on the entity’s financial statements is likely to be significant.

A13. The risk of misunderstanding is likely to be lower if:

• The differences between the applicable financial reporting framework and the other framework are likely to be known and understood by intended users since the authorized or recognized standards setting organization, or the relevant legislator or regulator, has identified the differences as part of an established and transparent development process involving deliberation and consideration of the views of a wide range of stakeholders; and

• The financial statements are likely to be used primarily within the particular jurisdiction.

A14. In other circumstances, the risk of misunderstanding can be reduced if, for example:

• Management is able to describe the applicable financial reporting framework without reference to the other framework (e.g., “Financial Reporting Standards of [jurisdiction X]”); or
• The financial statements include a description of the differences between the applicable financial reporting framework and the other framework that are significant in the context of the entity’s financial statements.

Form of Opinion (Ref: Para. 13-16 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 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).

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.

Auditor’s Report (Ref: Para. 17 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. 18 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.

A1820 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)

A1921 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.

A22 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.

A2023 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 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)

A2424 [Proposed] ISA 200 (Revised and Redrafted) explains the premises, relating to management’s responsibilities, on which an audit in accordance with ISAs is conducted. Management is responsible for preparing and presenting 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 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

19 ISA 200 (Revised and Redrafted), paragraph 4.
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)) no specific reference is made to them in paragraph 26 for the description of management’s responsibilities.

A225. There may be circumstances when it is appropriate for the auditor to add to the description of management’s responsibilities in paragraph 26 to reflect additional responsibilities that are relevant to preparing and presenting the financial statements in the context of the particular jurisdiction or the nature of the entity.

A230. 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 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 ISA 210 (Redrafted).

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

A247. 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 financial statements.

A258. The reference to the standards used conveys to the users of the auditor’s report that the
The audit has been conducted in accordance with established standards.

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.\(^{22}\)

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

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

A30. [Proposed] ISA 210 (Redrafted) explains that, in some cases, law or regulation prescribes the wording of the auditor’s report (which in particular includes the auditor’s opinion) in terms that are significantly different from the requirements of ISAs. In these circumstances, [proposed] ISA 210 (Redrafted) requires the auditor to evaluate:

(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) requires the auditor not to accept the audit engagement, unless required by law or regulation to do 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 any reference in the auditor’s report to the audit having been conducted in accordance with International Standards on Auditing.\(^{23}\)

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

A2731 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.

\(^{22}\) ISA 200 (Revised and Redrafted), paragraph 20.

\(^{23}\) [Proposed] ISA 210 (Redrafted), paragraphs [20].
Description of information that the financial statements present

A2832 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, many general purpose frameworks, the auditor’s opinion states that the financial statements give a true and fair view of or present fairly, in all material respects, 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

A2933 The auditor’s opinion identifies identification of the applicable financial reporting framework on which the financial statements are based in the auditor’s opinion is intended 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 evaluation required in paragraph 14. 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 …”

A3034 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.24

A3135 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

24 [Proposed] ISA 210 (Redrafted), paragraphs [17].
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 presented fairly, 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 [proposed] ISA 705 (Revised and Redrafted).

A3236 As indicated in paragraph A810, the financial statements may represent compliance with the applicable financial reporting framework and, in addition, disclose the extent to which they comply of compliance with another financial reporting framework other than the applicable financial reporting framework. As explained in paragraph A53, such supplementary information is covered by the auditor’s opinion as it cannot be clearly differentiated from the financial statements.

(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—is expressed in accordance with [proposed] 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 is added in accordance with [proposed] ISA 706 (Revised and Redrafted), drawing attention to the disclosure, if such disclosure is significant.

A33 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, even though the framework is such that management cannot make an explicit and unreserved statement that the applicable financial reporting framework complies with International Financial Reporting Standards. In such circumstances:

(a) If the financial statements do not provide sufficient disclosure of the differences and the auditor concludes that they are misleading (see paragraph A9), the auditor’s opinion would be modified in accordance with [proposed] ISA 705 (Revised and Redrafted) as appropriate in the circumstances.

(b) If the financial statements do provide sufficient disclosure of the difference and are therefore not misleading (see paragraph A9), the auditor may nevertheless decide to add an Emphasis of Matter paragraph 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 draw their attention to it.

(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.

A37. As indicated in paragraph A11, an authorized or recognized standards setting organization, or law or regulation, may describe the applicable financial reporting framework by reference to the financial reporting framework of another authorized or recognized standards setting organization. If the applicable financial reporting framework is described as such in the entity’s financial statements, the auditor’s evaluation of the adequacy of the reference to or description of the applicable financial reporting framework includes consideration of the risk that intended users may misunderstand the basis on which the financial statements are prepared.

A38. In the circumstances in paragraph A13 in which the risk of misunderstanding is in fact low, or where the applicable financial reporting framework can be described without reference to the other framework (see paragraph A14), the reference to or description of the applicable financial reporting framework is adequate without further explanation.

A39. In other circumstances, the risk of misunderstanding is influenced by whether the differences between the applicable financial reporting framework and the other framework are significant in context of the entity’s financial statements.

A40. If the differences are not significant in the context of the entity’s financial statements, the reference to the applicable financial reporting framework without further explanation is likely to be adequate. If, however, the differences are significant in the context of the entity’s financial statements, the auditor’s evaluation of the adequacy of the reference to or description of the applicable financial reporting framework involves considering whether the financial statements include a description of the differences. For example:

(a) If the financial statements include a description of the differences as described in paragraph A14, the risk of misunderstanding is reduced and, accordingly, the
reference to or description of the applicable financial reporting framework is likely to be adequate.

(b) If the financial statements do not include a description of the differences, the auditor may conclude, in accordance with ISA 706 (Revised and Redrafted), that it is necessary to draw intended users’ attention to the applicable financial reporting framework, noting that differences between the applicable financial reporting framework and the other framework may be significant in the context of the entity’s financial statements and, therefore, also to an understanding of the context in which the auditor’s opinion is expressed.

(c) In extreme cases, the differences may be so significant in the context of the entity’s financial statements that there is an unacceptably high risk that intended users will misunderstand the basis on which the financial statements are prepared. In some cases, this may be so even if the financial statements include a description of the differences. If the auditor concludes, in such circumstances, that the reference to the other framework in describing the applicable financial reporting framework is misleading, the auditor would express a modified opinion in accordance with ISA 705 (Revised and Redrafted).

Other Matters (Ref: Para. 34)

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 Other Matter(s) paragraph in the auditor’s report may be appropriate.

Other Reporting Responsibilities (Ref: Para. 35-36 38-39)

A3741. In some jurisdictions, the auditor may have additional responsibilities to report on other matters that are supplementary to the auditor’s responsibility under the ISAs to express an opinion report on the financial statements. 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.

A3842. 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.

A3943. 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 under the
ISAs for and opinion to report on the financial statements. 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. 47.40)

A4044 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. 48.41)

A4145 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.”

A4246 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.

A4347 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 some cases, law or regulation identifies the point in the financial statement reporting process at which the audit is expected to be complete.

A4448 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

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26 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.
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 and that those with the recognized authority have asserted that they have taken responsibility for them.

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. 40-42.43)

A4549 [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). 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 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 43(a)-(i) 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 40(b). Accordingly, in such circumstances the auditor is considered to have complied with the reporting requirements of International Standards on Auditing, 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). ([Proposed] ISA 210 (Redrafted) deals with circumstances where law or regulation prescribes the layout or wording of the auditor’s report in terms that are significantly different from the requirements of ISAs.)

Auditor’s Report for Audits Conducted in Accordance with Both Auditing Standards of a Specific Jurisdiction and International Standards on Auditing (Ref: Para. 44-45)

A4650 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, in addition to complying with the relevant national auditing standards, the auditor complies with each of the International Standards on Auditing Standards...
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ISAs relevant to the audit and performs any additional audit procedures necessary to comply with the relevant national auditing standards.

A4751 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 would lead the auditor to form a different opinion or the need not to include an Emphasis of Matter paragraph that, in the particular circumstances, is required by ISAs. For example, some national auditing standards prohibit the auditor from including an Emphasis of Matter paragraph to highlight a going concern problem, whereas [proposed] ISA 570 (Redrafted), “Going Concern” requires the auditor to add an Emphasis of Matter paragraph in such circumstances. In such a case, the auditor’s report refers only to the auditing standards (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 46-47)

A4852 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.

A4953 The auditor’s opinion is considered to covers 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. The auditor’s opinion would also cover notes or supplementary schedules that are cross-referenced from the financial statements.

A5054 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.

A5155 Law or regulation may not require that 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.

28 ISA 570 (Redrafted), “Going Concern,” paragraph 19.
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.”

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.

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 [ISA 720 (Redrafted), “The Auditor’s Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements.”]
Illustrations of Auditors’ Reports on General Purpose Financial Statements

- Illustration 1: An auditor’s report on a complete set of financial statements prepared and presented 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 and presented 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 3: An auditor’s report on consolidated financial statements prepared and presented 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 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 notes.

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 about whether the financial statements are free from material misstatement.

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30 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.

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

32 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]

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33 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.”

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 fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.” In the case of footnote 29, 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 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; 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 about 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

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

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of expressing an opinion on the effectiveness of the entity’s internal control.\textsuperscript{36} 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{36} 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. An audit also includes

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*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 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.”*
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]
Illustration 3:

Circumstances include the following:

- Audit of consolidated financial statements prepared for a general purpose by management of the parent in accordance with International Financial Reporting Standards.
- The terms of the group 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 group financial statements, the auditor has other reporting responsibilities required under local law.

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of ABC Company and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 20X1, and the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

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

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

40 Depending on the circumstances, this sentence may read: “Management is responsible for the preparation and presentation of consolidated 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 consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of ABC Company and its subsidiaries as of December 31, 20X1, and of their financial performance and 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]

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41 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 consolidated 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.”

42 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 consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances.” In the case of footnote 36, the sentence may read: “In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and presentation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances.”