

Auditor Reporting—Illustrative Auditor’s Report

Marked to show changes since ED

Note: For the purpose of informing future DT-700 deliberations, the IAASB is asked to consider, and provide input on, the following illustrative report that is reflective of the more substantive changes to the proposals in the July 2013 Auditor Reporting Exposure Draft (ED), [Reporting on Audited Financial Statements: Proposed New and Revised International Standards on Auditing](#).

Auditor’s Report on Consolidated Financial Statements of a Listed Entity Prepared in Accordance with a Fair Presentation Framework

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

- Audit of a complete set of consolidated financial statements of a listed entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)* applies).
- The consolidated financial statements are prepared for a general purpose by management of the entity in accordance with International Financial Reporting Standards (IFRSs).
- The terms of the audit engagement reflect the description of management’s responsibility for the consolidated financial statements in ISA 210, *Agreeing the Terms of Audit Engagements*.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- Key audit matters have been communicated in accordance with proposed ISA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*.
- No material uncertainty relating to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern has been identified in accordance with proposed ISA 570, *Going Concern*.
- In addition to the audit of the consolidated financial statements, the auditor has other reporting responsibilities required under local law.

INDEPENDENT AUDITOR’S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Consolidated Financial Statements¹

Opinion

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

¹ The sub-title “Report on the Audit of the Consolidated Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, (or *give a true and fair view of*) the consolidated financial position of ABC Company and its subsidiaries (the Group) as at December 31, 20X1, and (of) their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs). [Note: As discussed at Section IV. A. of **Agenda Item 2-A**, the ordering of paragraphs in this section have been reversed.]

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group ~~within the meaning of [indicate relevant ethical requirements or applicable law or regulation]~~ in accordance with the ethical requirements that are relevant to the audit of the consolidated financial statements in [jurisdiction] and have fulfilled our other ethical responsibilities ~~under those ethical in accordance with these requirements.~~² We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. [For further information, see Section I. of **Agenda Item 2-A**]

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. ~~Key audit matters are selected from the matters communicated with [those charged with governance], but are not intended to represent all matters that were discussed with them.~~ Our audit included performing procedures ~~relating to~~ designed to address the risks of material misstatement associated with these matters. Such procedures were designed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, but ~~Our opinion on the consolidated financial statements is not modified with respect to any of the key audit matters described below, and we do not express provide a basis for an a separate opinion on these individual matters. We have determined the matters described below to be the key audit matters to be communicated in our report.~~ [For further information, see **Agenda Item 4-A**]

[Individual examples of Key Audit Matters to be considered by the IAASB at its September 2014 meeting]

Going Concern

~~The consolidated financial statements of the Group have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. As part of our audit of the consolidated financial statements, we have concluded that management's use of the going concern basis of accounting in the preparation of the Group's consolidated financial statements is appropriate.~~

² Alternatively, the statement could be "We are independent of the [Group/Company] in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and have fulfilled our other ethical responsibilities in accordance with these requirements."

~~Management has not identified a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern, and accordingly none is disclosed in the consolidated financial statements of the Group. Based on our audit of the consolidated financial statements of the Group, we also have not identified such a material uncertainty. However, neither management nor the auditor can guarantee the Group's ability to continue as a going concern. [For further information, see section II. of Agenda Item 3-A.]~~

Other Information [or another title if appropriate such as "Information Other than the Consolidated Financial Statements and Auditor's Report Thereon"][^]

~~The other information obtained at the date of this auditor's report is the [information included in the X report,³ other than the financial statements and the auditor's report thereon.]~~

~~We have not audited the other information and do not express an opinion or any form of assurance conclusion thereon.~~

~~Our responsibility is to read this other information and to consider whether there is a material inconsistency between that information and the consolidated financial statements, or our knowledge obtained during the course of the audit. In reading the other information, our responsibility is also to remain alert for other indications that the other information appears to be materially misstated. If we determine that the other information is materially misstated, we are required to report that fact. We have nothing to report in this regard. [The illustrative wording for this section is subject to the IAASB's finalization of proposed ISA 720 (Revised). The content of this section may include, among other matters: (a) a description of the auditor's responsibilities with respect to other information; (b) identification of the document(s) available at the date of the auditor's report that contain the other information to which the auditor's responsibilities apply; (c) a statement addressing the outcome of the auditor's work on the other information; and (d) a statement that the auditor has not audited or reviewed the other information and, accordingly, does not express an audit opinion or a review conclusion on it.] [For further information, see Section III. of Agenda Item 2-A.]~~

Responsibilities of [Management⁴ and Those Charged with Governance or other appropriate terms] for the Consolidated Financial Statements

~~Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs,⁵ and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. When preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern. Management is responsible for preparing the financial statements using the going concern basis of accounting unless management~~

[^] The changes in this section is based on proposals in the IAASB's April 2014 Exposure Draft, Proposed ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*. The IAASB will consider feedback from that consultation in finalizing proposed ISA 720 (Revised). The changes are included here for reference on the proposed direction.

³ A more specific description of the other information, such as "the management report and chair's statement," may be used to identify the other information.

⁴ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction

⁵ Where management's responsibility is to prepare financial statements that give a true and fair view, this may read: "Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRSs, and for such ..."

either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. If, in making this assessment, management becomes aware of material uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, management is required to disclose those uncertainties in the financial statements. [For further information, see Section III. of **Agenda Item 2-A** and section II. of **Agenda Item 3-A.**]

[Those charged with governance] are responsible for overseeing the Group's financial reporting process.

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

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

The shaded material below can be located in an Appendix to the auditor's report (see paragraph 39 of this ISA). When law, regulation or national auditing standards expressly permits, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout ~~the planning and performance of~~ the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.⁶
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements, and evaluate, based on the audit evidence obtained, whether a material uncertainty exists about the entity's ability to continue as a going concern. Our evaluations are based on our consideration of any events or conditions that may cast significant doubt on the entity's ability to continue as a going concern that have been identified as of the date of the auditor's report. If a material uncertainty exists, we are required to draw attention in our auditor's report to the relevant disclosures in the financial statements. However, we cannot predict future events or conditions that may cause an entity to cease to continue as a going concern. [For further information, see Section III. of **Agenda Item 2-A** and section II of **Agenda Item 3-A.**]

⁶ This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the consolidated financial statements.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We are required to communicate with [*those charged with governance*] regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We are also required to provide [*those charged with governance*] with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with [*those charged with governance*], we are required to determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We are required to describe these matters in our auditor's report unless public disclosure about the matter is prohibited by law or regulation or, in exceptional circumstances, in our judgment, it is not possible to describe the matter in an appropriate manner in our auditor's report. [For further information, see **Agenda Item 4-A.**]

Report on Other Legal and Regulatory Requirements

~~[The form and content of this section of the auditor's report would vary depending on the nature of the auditor's other reporting responsibilities prescribed by local law, regulation, or national auditing standards. Depending on the The matters addressed by other law, regulation or national auditing standards (referred to as "other reporting responsibilities"), national standard setters may choose to combine reporting on these matters with reporting as required by the ISAs (shown in the Report on the Audit of the Consolidated Financial Statements section), shall be addressed within this section unless the other reporting responsibilities address the same topics as those presented under the reporting responsibilities required by the ISAs as part of the Report on the Audit of the Consolidated Financial Statements section. The reporting of other reporting responsibilities that address similar topics as those required by the ISAs may be combined (i.e., included in the Report on the Audit of the Consolidated Financial Statement section under the appropriate subheadings) provided that the with wording in the auditor's report that clearly distinguishes differentiates between the other reporting responsibilities from the reporting that is required by the ISAs and other reporting required by law or regulation where such a difference exists.]~~ [Revised to align with revised requirement at paragraph 41 of **Agenda Item 2-B.**]

The engagement partner ~~responsible for~~ responsible for on the audit resulting in this independent auditor's report is [name]. [For further information, see section II. at **Agenda Item 2-A.**]

[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

[Auditor Address]

[Date]