

## Agenda Item 2-G

### Proposed Changes to ISA 700 (Revised), “The Independent Auditor’s Report on a Complete Set of General Purpose Financial Statements” and ED-ISA 701, “The Independent Auditor’s Report on Other Historical Financial Information” (MARK-UP)

**Note: Shaded text indicate text in proposed ISA 701 that does not have an equivalent in ISA 700 (Revised).**

#### INTERNATIONAL STANDARD ON AUDITING 700 (REVISED)

#### THE INDEPENDENT AUDITOR’S REPORT ON ~~A~~ ~~COMPLETE SET OF~~ GENERAL PURPOSE FINANCIAL STATEMENTS<sup>+</sup>

##### Introduction

1. The purpose of this International Standard on Auditing (ISA) is to establish standards and provide guidance on the independent auditor’s report issued as a result of an audit of ~~a complete set of general purpose financial statements prepared in accordance with a financial reporting framework that is designed to achieve fair presentation. It also provides guidance on the matters the auditor considers in forming an opinion on those financial statements.~~ As described in ISA 200, “Objective and General Principles Governing an Audit of Financial Statements,” “general purpose financial statements” are financial statements prepared in accordance with a financial reporting framework ~~that is~~ designed to meet the common financial information needs of a wide range of users.<sup>2</sup> Reference to “financial statements” in this ISA should be read as “general purpose financial statements,” and can be to a complete set of financial statements or a single financial statement. 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.

#### PROPOSED INTERNATIONAL STANDARD ON AUDITING 701

#### THE INDEPENDENT AUDITOR’S REPORT ON ~~OTHER HISTORICAL FINANCIAL INFORMATION~~ SPECIAL PURPOSE FINANCIAL STATEMENTS

##### Introduction

1. The purpose of this International Standard on Auditing (ISA) is to establish standards and provide guidance ~~for on~~ the independent auditor’s report issued as a result of an audit of ~~historical financial information other than a complete set of general purpose financial statements prepared in accordance with a financial reporting framework designed to achieve fair presentation (for purposes of this ISA referred to as “other historical financial information”).~~ special purpose financial statements. As described in ISA 200, “Objective and General Principles Governing an Audit of Financial Statements,” “special purpose financial statements” are financial statements prepared in accordance with a financial reporting framework designed to meet the financial information needs of specific users. Reference to “financial statements” in this ISA should be read as “special purpose financial statements,” and can be to a complete set of financial statements or a single financial statement. 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.
  - 1a. This ISA also contains reporting considerations specific to

reporting on one or more specific elements, accounts or items of a single financial statement.

1a. The auditor's report should contain a clear expression of the auditor's opinion on the financial statements.

1b. The auditor's report should contain a clear expression of the auditor's opinion on the financial statements.

2. ~~Other historical financial information includes:~~

- ~~A complete set of financial statements prepared in accordance with a financial reporting framework designed for a general purpose, but not designed to achieve fair presentation;~~
- ~~A complete set of financial statements prepared in accordance with a financial reporting framework designed for a special purpose;~~
- ~~A single financial statement, or statements, that would otherwise be part of a complete set of financial statements (see ISA 200, "Objective and General Principles Governing an Audit of Financial Statements," paragraphs 34-35); and~~
- ~~One or more specific elements, accounts or items of a financial statement.~~

~~Paragraphs 35-38 contain considerations specific to reporting on a single financial statement or statements, or one or more specific elements, accounts or items of a financial statement.~~

3. ~~Examples of a single financial statement and a specific element, account or item of a financial statement are listed in Appendix 1 to this ISA. [Note: Moved to 200.51i.] Examples of financial reporting frameworks that may be designed for a special purpose to meet the financial information needs of specific users include:~~

- ~~A tax basis of accounting;~~
- ~~The cash receipts and disbursements basis of accounting for cash flow information that an entity may be requested to~~

prepare ~~for creditors (for example, a rental property, or an unincorporated association such as a club);~~

- The financial reporting provisions established by a regulator to meet the requirements of that regulator; and
- The financial reporting provisions of a contract, such as a bond indenture or loan agreement.

2. ~~This ISA addresses circumstances when the auditor is able to express an unqualified opinion and no modification to the auditor's report is necessary. ISA 701, "Modifications to the Independent Auditor's Report" establishes standards and provides guidance on the modifications to this report for an emphasis of matter, a qualified opinion, a disclaimer of opinion, or an adverse opinion.~~ [Proposed] ISA 705, "Modifications to the Opinion in the Independent Auditor's Report" contains additional standards and guidance on circumstances that may result in a modified opinion, the type of modification required, and the form and content of the auditor's report when the opinion is modified. [Proposed] ISA 706, "Emphasis of Matter Paragraphs and Other Matters Paragraphs in the Independent Auditor's Report" contains additional standards and guidance on circumstances when the auditor considers including an emphasis of matter paragraph or an other matters paragraph in the auditor's report, and the form and placement of such paragraphs.

3. ~~ISA 800 701, "The Independent Auditor's Report on Special Purpose Audit Engagements Financial Statements" establishes~~ contains standards and ~~provides~~ guidance on the form and content of the auditor's report issued as a result of an audit of special purpose financial statements. It also contains reporting considerations specific to reporting on one or more specific elements, accounts or items of a single financial statement.

- (a) ~~A complete set of financial statements prepared in accordance with an other comprehensive basis of~~

4. ~~The standards and guidance in this ISA apply when the auditor is able to express an unmodified opinion on the other historical financial information.~~ [Proposed] ISA 705, "Modifications to the Opinion in the Independent Auditor's Report" establishes contains additional standards and ~~provides~~ guidance on circumstances that may result in a modified opinion, the type of modification required, and the form and content of the auditor's report when the opinion is modified. [Proposed] ISA 706, "Emphasis of Matter Paragraphs and Other Matters Paragraphs in the Independent Auditor's Report" establishes contains additional standards and ~~provides~~ guidance on circumstances when the auditor considers including an emphasis of matter paragraph or an other matters paragraph in the auditor's report, and the form and placement of such paragraphs.

5. This ISA does not ~~establish contain~~ standards or ~~provide~~ guidance for the following:

- A report issued as a result of an audit of ~~a complete set of~~ general purpose financial statements ~~prepared in accordance with a financial reporting framework designed to achieve fair presentation.~~ Standards and guidance for this are contained in ISA 700 (Revised), "The Independent Auditor's Report on ~~a Complete Set of~~ General Purpose

accounting;

- (b) ~~A component of a complete set of general purpose or special purpose financial statements, such as a single financial statement, specified accounts, elements of accounts, or items in a financial statement;~~
- (c) ~~Compliance with contractual agreements; and~~
- (d) ~~Summarized financial statements.~~

Financial Statements.”

- A report issued solely to a group auditor by another auditor as a result of an audit performed on a component’s financial information for purposes of the audit of group financial statements (see [proposed] ISA 600 (Revised), “The Audit of Group Financial Statements” for requirements on the information to be included in such a report).
- A report expressing an opinion on summary ~~historical~~ financial ~~information statements~~ which has been derived from ~~historical financial information financial statements~~. Standards and guidance for auditors’ reports on summary audited financial statements are contained in [proposed] ISA 800, “The Independent Auditor’s Report on Summary Audited Financial Statements.”
- A report confirming that information is an accurate extraction from audited ~~historical financial information financial statements~~.
- ~~A report issued as a result of a review (i.e., not an audit) of historical financial information. Standards and guidance for this are contained in International Standard on Review Engagements (ISRE) 2400, “Engagements to Review Financial Statements” and ISRE 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.”~~
- ~~An assurance report on information other than historical financial information. This includes a report expressing an opinion on compliance with the provisions of a contract that do not deal with the preparation and presentation of historical financial information. Standards and guidance for this are contained in International Standard on Assurance Engagements (ISAE) 3000, “Assurance Engagements Other than Audits or Reviews of Historical Financial Information.”~~

## **The Auditor's Report on Financial Statements**

## **Form of Opinion**

4. ~~The auditor's report should contain a clear expression of the auditor's opinion on the financial statements. [Note: Moved to paragraph 1a.]~~
5. ~~As stated in ISA 200, the objective of an audit of financial statements is to enable the auditor to express an opinion whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. [Note: See 200.2.]~~
6. ~~Unless required by law or regulation to use different wording, the auditor's opinion on a complete set<sup>3</sup> of general purpose financial statements prepared in accordance with a financial reporting framework that is designed to achieve fair presentation (for purposes of this ISA referred to as "financial statements") states whether 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. These phrases "give a true and fair view" and "are presented fairly, in all material respects," are equivalent. Which of these phrases is used in any particular jurisdiction is determined by the law or regulations governing the audit of financial statements in that jurisdiction, or by established practice in that jurisdiction. [Note: See 200.51b.]~~
14. ~~ISA 700 (Revised), paragraph 6, explains that, unless required by law or regulation to use different wording, the auditor's opinion on a complete set of general purpose financial statements prepared in accordance with a financial reporting framework designed to achieve fair presentation<sup>4</sup> states whether 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. [Note: See 200.51b.]~~
15. ~~The auditor also uses the terms "give a true and fair view" or "are presented fairly, in all material respects," to express the audit opinion on other historical financial information prepared in accordance with a financial reporting framework designed to achieve fair presentation of the specific information presented. [Note: See 200.51b.]~~
16. ~~In the case of other historical financial information prepared in accordance with a financial reporting framework not designed to achieve fair presentation of the specific information presented, the auditor expresses an opinion on the appropriateness of the preparation and presentation of the other historical financial information in accordance with the applicable financial reporting framework. The auditor uses the term "properly prepared, in all material respects, in accordance with the applicable financial reporting framework" to express the audit opinion. The financial reporting framework may be designed for~~

- ~~a general or special purpose. *[Note: See 200.51c.]*~~
- |   |   |
|---|---|
| <p>7. <del>In some jurisdictions, law or regulation governing the audit of financial statements may prescribe wording for the auditor's opinion that is different from the phrases described in paragraph 6. Although the auditor may be obliged to use the prescribed wording, the auditor's responsibilities as described in this ISA for forming the opinion remain the same. <i>[Note: See 210.15a-c.]</i></del></p> <p>8. <del>When wording prescribed by law or regulation differs significantly from the phrases in paragraph 6, the auditor carefully considers whether there may be a risk that users might misunderstand the assurance obtained in an audit of financial statements. For example, the wording might convey to readers that the auditor is attesting to the accuracy of the financial statement amounts rather than expressing an opinion on whether the financial statements give a true and fair view or are presented fairly, in all material respects. In such circumstances, the auditor considers whether the risk of misunderstanding can be mitigated through appropriate explanation in the auditor's report (see ISA 701). <i>[Note: See 210.15a-c.]</i></del></p> | <p>17. <del>In some jurisdictions, law or regulation governing the audit of other historical financial information may prescribe wording for the audit opinion that is different from the phrases described in paragraphs 15 and 16. Although the auditor may be obliged to use the prescribed wording, the auditor's responsibilities as described in this ISA for forming the opinion remain the same. <i>[Note: See 210.15a-c.]</i></del></p> <p>18. <del>When wording prescribed by law or regulation differs significantly from the phrases in paragraphs 15 and 16, the auditor carefully considers whether there may be a risk that users might misunderstand the assurance obtained in the audit of the other historical financial information. In such circumstances, the auditor considers whether the risk of misunderstanding can be mitigated through appropriate explanation in the auditor's report (see proposed ISA 706). <i>[Note: See 210.15a-c.]</i></del></p> <p>19. <del>When wording prescribed by law or regulation implies or requires a level of assurance different from that ordinarily obtained in an audit of other historical financial information (for example, when it requires a certification of fact), the auditor confirms the required level of assurance with the responsible party, and considers carefully whether the required level of assurance can be obtained, for example, by amending the scope of the audit. <b>If the auditor concludes that the required level of assurance cannot be obtained, the auditor should not accept the engagement.</b> <i>[Note: See 210.15a-c.]</i></del></p> |
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#### **Application of Ethical Requirements and Other ISAs**

6. ~~An audit of other historical financial information is an assurance engagement, as defined in the International Framework for Assurance Engagements (the Framework). The ISAs apply the Framework in the context of an audit of financial statements. Pursuant to ISA 200, paragraph 34, the term "financial statements" refers to a complete set of financial statements or a single financial statement. ISA 701, however, also establishes~~

~~standards and provides guidance for auditors' reports on one or more specific elements, accounts or items of a financial statement. [Note: See 200.1c and 51i-51l.]~~

7. ~~ISA 200, paragraph 4, requires the auditor to comply with relevant ethical requirements relating to an audit engagement. ISA 200, paragraph 11, requires the auditor, in determining the audit procedures to be performed in conducting an audit in accordance with ISAs, to comply with each of the ISAs relevant to that audit. These requirements apply to an audit of a specific element, account or item of a financial statement. If an audit of a specific element, account or item of a financial statement is conducted in conjunction with the audit of the financial statements of which it forms a part, this is unlikely to cause difficulty. If such an audit, however, is carried out separately, compliance with each of the ISAs relevant to the audit requires careful consideration and may not be practicable. Where an audit in accordance with ISAs is not practicable, the auditor discusses with the responsible party whether another type of engagement may be more practicable. [Note: See 200.51i-l.]~~
8. ~~In applying the ISAs in an audit of other historical financial information, the auditor takes into account the nature of the entity and its environment, the nature and objective of the other historical financial information, the applicable financial reporting framework, the information needs of the intended users, and other matters, for example, events, transactions, conditions and practices that may have a significant effect on the engagement.~~

#### **Applicable Financial Reporting Framework**

9. ~~The auditor's judgment regarding whether the financial statements give a true and fair view or are presented fairly, in all material respects, is made in the context of the applicable financial reporting framework. As discussed in ISA 210, "Terms of Audit Engagements," without an acceptable financial reporting framework, the auditor does not have suitable criteria for~~

#### **Applicable Financial Reporting Framework**

9. ~~ISA 200 describes the auditor's responsibility to determine whether the financial reporting framework adopted by management in preparing and presenting the financial statements is acceptable. The auditor ordinarily makes this determination when considering whether to accept the audit engagement. As discussed in ISA 210, "Terms of Audit~~

evaluating the entity's financial statements.<sup>5</sup> ISA 200 describes the auditor's responsibility to determine whether the financial reporting framework adopted by management in preparing the financial statements is acceptable.<sup>6</sup>

10. In the case of financial statements that are within the scope of this ISA, application of a financial reporting framework determined to be acceptable for general purpose financial statements will, except in the extremely rare circumstances discussed in paragraph 15, result in financial statements that achieve fair presentation. Although the financial reporting framework may not specify how to account for or disclose all transactions or events, it ordinarily embodies sufficient broad principles that can serve as a basis for developing and applying accounting policies that are consistent with the concepts underlying the requirements of the framework. Thus, the financial reporting framework provides a context for the auditor's evaluation of the fair presentation of the financial statements, including whether the financial statements have been prepared and presented in accordance with the specific requirements of the applicable financial reporting framework for particular classes of transactions, account balances and disclosures. *[Note: See 200.51a.]*

Engagements," without an acceptable financial reporting framework, the auditor does not have suitable criteria for evaluating the entity's financial statements.

10. Financial reporting frameworks presumed to be acceptable for general purpose financial statements are described in ISA 200. ISA 200, paragraph 45, acknowledges that, in some jurisdictions, legislative and regulatory requirements may supplement a financial reporting framework with additional requirements relating to preparing and presenting the financial statements. In these jurisdictions, the applicable financial reporting framework, for the purposes of applying the ISAs, encompasses both the identified financial reporting framework and such additional requirements, provided they do not conflict with the applicable financial reporting framework. For purposes of this ISA, the financial reporting framework may also encompass:
- The effect of the legal and ethical environment, including statutes, regulations, court decisions, and professional ethical obligations in relation to accounting matters;
  - Published views of varying authority on emerging accounting issues and accounting interpretations issued by standards setting, professional or regulatory organizations;
  - Industry practices widely recognized and prevalent;
  - Accounting literature; and
  - The provisions of a contract, including significant interpretations made by the responsible party in preparing and presenting the financial information. (An interpretation is significant if another reasonable interpretation would have produced a material difference in the other historical financial information.) *[Note: See 200.36b-d.]*
11. Unless the financial reporting framework is an established financial reporting framework recognized as suitable for the



~~intended use, or specifically required to be used by law or regulation, the auditor considers whether it exhibits the characteristics of suitable criteria described in the Framework, paragraph 36. The relative importance of each of these characteristics to a particular engagement is a matter of professional judgment, and depends on the nature of the entity and its environment, the nature and objective of the other historical financial information, the information needs of the intended users, and other matters, for example, events, transactions, conditions and practices that may have a significant effect on the engagement. For example, for the purposes of a balance sheet prepared to establish the value of net assets of an entity at the date of its sale, the vendor and the purchaser may have agreed that very prudent estimates of allowances for uncollectible accounts receivable are to be made. This may result in preparing financial information that is not neutral (see paragraph 36(d) of the Framework), but it may nevertheless be acceptable in the circumstances. [Note: See 200.48c-g.]~~

12. ~~There is a presumption that partial compliance with the requirements of an established financial reporting framework does not constitute an acceptable financial reporting framework. However, there may be circumstances where the nature of the entity and its environment, the nature and objective of the other historical financial information, or the information needs of the intended users may justify partial compliance with the requirements of an established financial reporting framework. When this is the case, the other historical financial information does not imply full compliance with the requirements of the established financial reporting framework. (See Example 3 of Appendix 2.) [Note: See 200.48h.]~~
13. ~~To enable readers to understand the financial reporting framework adopted by the responsible party for preparing and presenting the other historical financial information it is necessary to refer to or describe the applicable financial reporting framework adequately in the other historical financial~~

~~information. If management does not adequately refer to or describe the financial reporting framework, the auditor should consider the effect on the auditor's report. [Note: See 200.48i.]~~

## **Forming an Opinion on the Financial Statements**

11. ~~The auditor should evaluate the conclusions drawn from the audit evidence obtained as the basis for forming an opinion on the financial statements. [Note: See 200.51d.]~~
12. ~~When forming an opinion on the financial statements, the auditor evaluates whether, based on the audit evidence obtained, there is reasonable assurance about whether the financial statements taken as a whole are free from material misstatement. This involves concluding whether sufficient appropriate audit evidence has been obtained to reduce to an acceptably low level the risks of material misstatement of the financial statements<sup>7</sup> and evaluating the effects of uncorrected misstatements identified.<sup>8</sup> [Note: See 200.51e.]~~
13. ~~Forming an opinion as to whether 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 involves evaluating whether the financial statements have been prepared and presented in accordance with the specific requirements of the applicable financial reporting framework for particular classes of transactions, account balances and disclosures. This evaluation includes considering whether, in the context of the applicable financial reporting framework:~~
  - (a) ~~The accounting policies selected and applied are consistent with the financial reporting framework and are appropriate in the circumstances;~~

## **Forming an Opinion on the Other Historical Financial Information**

20. ~~The auditor should evaluate the conclusions drawn from the audit evidence obtained as the basis for forming an opinion on the other historical financial information. [Note: See 200.51d.]~~
21. ~~When forming an opinion on the other historical financial information, the auditor evaluates whether, based on the audit evidence obtained, there is reasonable assurance about whether the financial information taken as a whole is free from material misstatement. This involves concluding whether sufficient appropriate audit evidence has been obtained to reduce to an acceptably low level the risks of material misstatement of the other historical financial information<sup>9</sup> and evaluating the effects of uncorrected misstatements identified.<sup>10</sup> [Note: See 200.51e.]~~
22. ~~The auditor also evaluates whether the financial information has been prepared and presented, in all material respects, in accordance with the specific requirements of the applicable financial reporting framework. This evaluation includes considering whether, in view of the specific requirements of the applicable financial reporting framework:~~
  - o(a) ~~The terminology used in the other historical financial information, including its title, is appropriate;~~
  - o(b) ~~The accounting policies selected and applied are appropriate;~~
  - o(c) ~~Accounting estimates, if any, made by the responsible~~

- (b) ~~The accounting estimates made by management are reasonable in the circumstances;~~
- (c) ~~The information presented in the financial statements, including accounting policies, is relevant, reliable, comparable and understandable; and~~
- (d) ~~The financial statements provide sufficient disclosures to enable 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 in accordance with International Financial Reporting Standards (IFRSs), the entity's financial position, financial performance and cash flows.~~  
**[Note: See 200.51f.]**
23. ~~Forming an opinion as to whether 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 also involves evaluating the fair presentation of the financial statements. The auditor considers whether the financial statements, after any adjustments made by management as a result of the audit process, are consistent with the auditor's understanding of the entity and its environment. The auditor considers the overall presentation, structure and content of the financial statements. The auditor also considers whether the financial statements, including the note disclosures, faithfully~~
- party are reasonable;
- ~~o(d) Related parties and related party transactions disclosed by the responsible party are complete and accurate;~~
- ~~o(e) The other historical financial information, including the accounting policies, is relevant, reliable, comparable and understandable;~~
- ~~o(f) The other historical financial information adequately refers to or describes the applicable financial reporting framework; and~~
- ~~o(g) The other historical financial information adequately discloses the significant accounting policies applied, and significant interpretations by the responsible party of regulatory, legal or contractual requirements. In jurisdictions where the applicable financial reporting framework is so codified as to preclude a choice of accounting policies or significant interpretations by the responsible party, a reference to the applicable financial reporting framework may suffice; and~~
- (h) The other historical financial information provides adequate disclosures to enable the intended users to understand the effects of material transactions and events on the financial information. **[Note: See 200.51f.]**
23. Forming an opinion as to whether the other historical financial information gives a true and fair view or is presented fairly, in all material respects, in accordance with the applicable financial reporting framework (see paragraph 15), also involves evaluating the fair presentation of the other historical financial information.<sup>14</sup> The auditor considers the fair presentation of the other historical financial information in accordance with the guidance in ISA 700 (Revised), paragraphs 14-15. **[Note: See 200.51g-h.]**

represent the underlying transactions and events in a manner that gives a true and fair view of or presents fairly, in all material respects, the information conveyed in the financial statements in the context of the financial reporting framework. Analytical procedures performed at or near the end of the audit help to corroborate conclusions formed during the audit and assist in arriving at the overall conclusion as to the fair presentation of the financial statements. *[Note: See 200.51g.]*

#### **Extremely Rare Circumstances when Applying the Financial Reporting Framework Results in Misleading Financial Statements**

15. As discussed in ISA 210, the auditor considers the acceptability of the financial reporting framework when considering accepting the engagement.<sup>12</sup> Application of a financial reporting framework determined to be acceptable for general purpose financial statements will ordinarily result in financial statements that achieve fair presentation. In extremely rare circumstances, however, application of a specific requirement in a framework that has been determined to be acceptable for general purpose financial statements may result in financial statements that are misleading in the particular circumstances of the entity. Some financial reporting frameworks determined to be acceptable for general purpose financial statements acknowledge, implicitly or explicitly, that there are extremely rare circumstances when it is necessary for the financial statements to depart from a specific requirement in the framework in order to achieve the objective of fair presentation of the financial statements and provide guidance on the disclosures required. Other financial reporting frameworks may not provide any guidance on these circumstances even though they are acceptable frameworks for general purpose financial statements. If the auditor encounters circumstances that lead the auditor to conclude that compliance with a specific requirement results in financial statements that are misleading, the auditor considers the need to modify the auditor's report. The modifications, if any, that are appropriate to the auditor's report

~~will depend on how management addresses the matter in the financial statements and how the financial reporting framework deals with these rare circumstances (see ISA 701).~~ *[Note: See 200.51h.]*

24. ~~The Code of Ethics for Professional Accountants issued by the International Federation of Accountants (IFAC) states that professional accountants should not be associated with reports, returns, communications or other information where they believe that the information (a) contains a material false or misleading statement, (b) contains statements or information furnished recklessly, or (c) omits or obscures information required to be included where such omission or obscurity would be misleading. Accordingly, even where the other historical financial information has been prepared in accordance with a framework not designed to achieve fair presentation of the specific information presented, the auditor considers whether the information may be misleading in view of the nature of the entity and its environment, the nature and objective of the financial information, the applicable financial reporting framework and legal or regulatory requirements, the information needs of the intended users, and other matters, for example, events, transactions, conditions and practices that may have a significant effect on the engagement.~~ *[Note: See 200.51h.]*
25. ~~If, based on the auditor's considerations discussed in paragraphs 23 or 24, the auditor concludes that the other historical financial information is misleading in the circumstances, the auditor discusses the matter with the responsible party and considers the effect on the auditor's report. The effect will depend on how the responsible party addresses the matter in the other historical financial information.~~ *[Note: See 200.51h.]*

### **Elements of the Auditor's Report** ~~in an Audit Conducted in Accordance with International Standards on Auditing~~<sup>13</sup>

16. Consistency in the auditor's report, when the audit has been

### **Elements of the Auditor's Report**

26. ~~The content of the auditor's report on other historical financial~~

conducted in accordance with the 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 reader's understanding and to identify unusual circumstances when they occur.

17. Paragraphs 18-60 set out the requirements relating to the following elements of the auditor's report ~~when the audit has been conducted in accordance with the ISAs:~~

- (a) Title;
- (b) Addressee;
- (c) Introductory paragraph;
- (d) Management's responsibility for the financial statements;
- (e) Auditor's responsibility;
- (f) Auditor's opinion;
- (g) Other reporting responsibilities;
- (h) Auditor's signature;
- (i) Date of the auditor's report; and
- (j) Auditor's address.

#### Title

- 18. **The auditor's report should have a title that clearly indicates that it is the report of an independent auditor.**
- 19. A title indicating the report is the report of an independent auditor, for example, "Independent Auditor's Report," affirms that the auditor has met all of the relevant ethical requirements regarding independence and, therefore, distinguishes the independent auditor's report from reports issued by others.

#### Addressee

- 20. **The auditor's report should be addressed as required by the**

~~information is a matter of professional judgment. At a minimum, the auditor's report on other historical financial information should include the following elements:~~

- (a) ~~A title clearly identifying it as the report of an independent auditor.~~<sup>15</sup>
- (b) ~~An addressee.~~
- (c) ~~An introductory paragraph that:~~
  - ~~Identifies the entity whose other historical financial information has been audited;~~
  - ~~Identifies the other historical financial information that was audited; and~~
  - ~~States that the other historical financial information has been audited.~~
- (d) ~~Identification of the responsible party, and a description of that party's responsibility for preparing and presenting the other historical financial information~~<sup>16</sup> ~~in accordance with the applicable financial reporting framework.~~
- (e) ~~A statement that the auditor is responsible for expressing an opinion on the other historical financial information based on the audit.~~
- (f) ~~A scope paragraph that includes:~~
  - ~~A statement that the audit was conducted in accordance with ISAs;~~
  - ~~An explanation that those standards require that the auditor comply with ethical requirements, and that the auditor plan and perform the audit to obtain reasonable assurance whether the other historical financial information is free from material misstatement; and~~

**circumstances of the engagement.**

21. National laws or regulations often specify to whom the auditor's report ~~on general purpose financial statements~~ should be addressed in that particular jurisdiction. Ordinarily, the auditor's report ~~on general purpose financial statements~~ is 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**

22. The introductory paragraph in the auditor's report should identify the entity whose financial statements have been audited and should state that the financial statements have been audited. The introductory paragraph should also:
- (a) Identify the title of each ~~statement of that comprises~~ the financial statements ~~that comprise the complete set of financial statements~~;
  - (b) Refer to the summary of significant accounting policies and other explanatory notes; and
  - (c) Specify the date and period covered by the financial statements.
23. This requirement is ordinarily met by stating that the auditor has audited the accompanying financial statements of the entity, which comprise [state the titles 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 ~~and or~~ period covered by ~~those each~~ financial statements] and referring to the summary of significant accounting policies and other explanatory notes. In addition, when the auditor is aware that the 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 financial statements are presented. This helps readers to identify the financial

▪ **A description of an audit.**

- (g) ~~A statement that the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor's opinion.~~
- (h) ~~A paragraph containing a clear expression of opinion on the other historical financial information that refers to the applicable financial reporting framework.~~
- (i) ~~The auditor's signature.~~
- (j) ~~The date of the auditor's report.~~
- (k) ~~The auditor's address.~~

~~Consistency in the elements of the auditor's report helps to promote the reader's understanding and to identify unusual circumstances when they occur.~~

27. ~~In fulfilling the requirements of paragraph 26, t~~The auditor should apply follow the standards and guidance in ISA 700 (Revised), ~~paragraphs 18-57, relevant to the audit of the other historical financial information that deal with the elements of the auditor's report. Additional elements of the auditor's report on special purpose financial statements are set out in paragraphs 28-31 of this ISA.~~ Appendix 2 to this ISA contains examples of auditors' reports on ~~other historical financial information special purpose financial statements.~~

statements to which the auditor's report relates.

24. 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 IFRSs, 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. In some jurisdictions additional information might also be considered to be an integral part of the financial statements.
25. In some circumstances, the entity may be required by law or 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. The auditor's opinion may or may not cover the supplementary information and it is therefore important for the auditor to be satisfied that any supplementary information that is not covered by the auditor's opinion is clearly differentiated, as discussed in paragraphs 67-71.
26. In some circumstances, the supplementary information cannot be clearly differentiated from the financial statements because of its nature and how it is presented. Such supplementary information is covered by the auditor's opinion. 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.
27. Supplementary information that is presented as an integral part of



the financial statements 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 ~~components of~~ statements that comprise the financial statements in the introductory paragraph is sufficient.

#### Management's Responsibility for the Financial Statements

28. The auditor's report should state that management is responsible for ~~the preparation and the fair presentation of~~ preparing and presenting the financial statements in accordance with the applicable financial reporting framework and that this responsibility includes:

- (a) Designing, implementing and maintaining internal control relevant to ~~the preparation and fair presentation of preparing and presenting~~ 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 phrases "give a true and fair view" or "are presented fairly, in all material respects," are used to express the auditor's opinion on the financial statements, the statement of management's responsibility for the financial statements refers to "the preparation and fair presentation of the financial statements" instead of "preparation and presentation."

29. Financial statements are the representations of management. Management is responsible for ~~the preparation and fair presentation of preparing and presenting~~ the financial statements in accordance with the applicable financial reporting framework. For example, in the case of financial statements prepared in accordance with IFRSs, management is responsible for preparing financial statements that fairly present the financial position, financial performance and cash flows of the entity in accordance

with IFRSs. To fulfill this responsibility, management designs and implements internal control<sup>14</sup> to prevent or to detect and correct misstatements, 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.

30. There may be circumstances when it is appropriate for the auditor to add to the description of management's responsibilities in paragraph 28 to reflect additional responsibilities that are relevant to ~~the preparation and presentation of preparing and presenting~~ the financial statements in the context of the particular jurisdiction or the nature of the entity
31. The term management has been used in this ISA to describe those responsible for ~~the preparation and fair presentation of preparing and presenting~~ the financial statements. Other terms may be appropriate depending on the legal framework in the particular jurisdiction. For example, in some jurisdictions, the appropriate reference may be to those charged with governance (for example, the directors).

#### **Auditor's Responsibility**

32. **The auditor's report should state that the responsibility of the auditor is to express an opinion on the financial statements based on the audit.**
33. 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 ~~the preparation and fair presentation of preparing and presenting~~ the financial statements.
34. **The auditor's report should state that the audit was conducted in accordance with International Standards on Auditing. The auditor's report should also explain that those**

**standards require that the auditor comply with ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.**

35. The reference to the standards used conveys to the reader that the audit has been conducted in accordance with established standards.
36. ISA 200 specifies what is required in order to conduct an audit in accordance with the ISAs. ~~Paragraph 14 in (1)~~ That ISA explains that the auditor cannot describe the audit as being conducted in accordance with the ISAs unless the auditor has complied fully with all of the ISAs relevant to the audit.
37. **The auditor's report should 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 ~~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. 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 should 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, the reasonableness of accounting estimates made by management, as well as the overall presentation of the financial statements.**

Where the phrases “give a true and fair view” or “are presented fairly, in all material respects,” are used to express the auditor’s opinion on the financial statements, the description of the audit refers to “the preparation and fair presentation of the financial statements” instead of “preparation and presentation.”

38. **The auditor’s report should state that 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**

39. **An ~~unqualified unmodified~~ opinion should be expressed when the auditor concludes that the financial statements ~~give a true and fair view or are presented fairly~~ are prepared, in all material respects, in accordance with the applicable financial reporting framework.**
40. **When expressing an ~~unqualified unmodified~~ opinion ~~on financial statements prepared and presented in accordance with a fair presentation financial reporting framework (see ISA 200)~~, the opinion paragraph of the auditor’s report should state the auditor’s opinion that the financial statements give a true and fair view or present fairly, in all material respects, in accordance with the applicable financial reporting framework (unless ~~the auditor is otherwise~~ required by law or regulation ~~to use different wording for the opinion, in which case the prescribed wording should be used~~). In all other cases, the auditor’s opinion states that the financial statements have been prepared, in all material respects, in accordance with the applicable financial reporting framework.**
41. **When International Financial Reporting Standards or International Public Sector Accounting Standards are not used as the financial reporting framework, the reference to**

**the financial reporting framework in the wording of the opinion should identify the jurisdiction or country of origin of the financial reporting framework.**

43. To advise the reader of the context in which the auditor's opinion is expressed, the auditor's opinion identifies the applicable financial reporting framework on which the financial statements are based. When the applicable financial reporting framework is not IFRSs or International Public Sector Accounting Standards (IPSASs), the auditor's opinion also identifies the jurisdiction or country of origin of the applicable financial reporting framework. The auditor identifies the applicable financial reporting framework in such terms as:

“... in accordance with International Financial Reporting Standards” or

“... in accordance with accounting principles generally accepted in Country X ...”

42. ~~The auditor's opinion states that the financial statements give a true and fair view of or present fairly, in all material respects, the information that the financial statements are designed to convey (which is determined by the financial reporting framework).~~ For example, in the case of a complete set of financial statements prepared in accordance with IFRSs, the auditor expresses an opinion that the financial statements give a true and fair view of ~~or are presented~~ 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 International Financial Reporting Standards.

44. When the applicable financial reporting framework encompasses legal and regulatory requirements, the auditor identifies the applicable financial reporting framework in such terms as:

“... in accordance with International Financial Reporting Standards and the requirements of Country X Corporations Act.”

### Other Matters

45. Standards, laws or generally accepted practice in a jurisdiction may require or permit the auditor 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 may be addressed in a separate paragraph following the auditor's opinion.

### Other Reporting Responsibilities

46. In some jurisdictions, the auditor may have additional responsibilities to report on other matters that are supplementary to the auditor's responsibility to express an opinion on 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.
47. In some cases, the relevant standards or laws 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.
48. **When the auditor addresses other reporting responsibilities within the auditor's report on the financial statements, these other reporting responsibilities should be addressed in a separate section in the auditor's report that follows the opinion paragraph.**
49. The auditor addresses these other reporting responsibilities in a separate section of the report in order to clearly distinguish them

### ~~Reporting on Additional Responsibilities~~

32. ~~The auditor may have additional responsibilities to report on other matters that are supplementary to the auditor's responsibility to express an opinion on the other historical financial information. Where this is the case, the auditor applies the standards and guidance in ISA 700 (Revised), paragraphs 46-49, relevant to the audit of the other historical financial information.~~

from the auditor's responsibilities for, and opinion on, the financial statements.

#### **Auditor's Signature**

50. **The auditor's report should be signed.**
51. 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 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**

52. **The auditor should date the report on the financial statements no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the opinion on the financial statements. Sufficient appropriate audit evidence should include evidence that ~~the entity's complete set of all the statements that comprise the~~ financial statements ~~has have~~ been prepared and that those with the recognized authority have asserted that they have taken responsibility for them.**
53. The date of the auditor's report informs the reader 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 ISA 560, "Subsequent Events."
54. 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 the auditor obtains evidence that ~~a complete set of all the statements that comprise the~~ financial statements ~~has have~~ been prepared and

management has accepted responsibility for them.

55. In some jurisdictions, the law or regulation identifies the individuals or bodies (for example, the directors) that are responsible for concluding that ~~a complete set of all the statements that comprise the~~ financial statements ~~has have~~ been prepared, and specifies the necessary approval process. In such cases, the auditor obtains evidence of that approval before dating the report on the financial statements.<sup>17</sup> In other jurisdictions, however, the approval process is not prescribed in law or regulation. In such cases, the auditor takes into account the procedures the entity follows in preparing and finalizing its financial statements in view of its management and governance structures in order to identify the individuals or body with the authority to conclude that ~~the entity's complete set of all the statements that comprise the~~ financial statements, including the related notes, ~~has have~~ been prepared.
56. In some jurisdictions, final approval of the financial statements by shareholders is required before the financial statements are issued publicly. In these jurisdictions, final approval by shareholders is not necessary for the auditor to conclude that sufficient appropriate audit evidence has been obtained. The date of approval of the financial statements for purposes of the ISAs is the earlier date on which those with the recognized authority determine that ~~a complete set of all the statements that comprise the~~ financial statements ~~has have~~ been prepared.

#### Auditor's Address

57. **The report should name the location in the country or jurisdiction where the auditor practices.**

#### Description of the Applicable Financial Reporting Framework

28. **When the responsible party has a choice of financial reporting frameworks, the ~~description in paragraph 26(d)~~ reference to the applicable financial reporting framework in the statement of the responsible party's responsibility for**



- the financial statements should be expanded to include the ~~responsible party's~~ responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances. ~~view of Such circumstances include~~ the nature of the entity ~~and its environment~~, the objective and nature ~~and objective~~ of the ~~other historical financial information~~ financial statements, any applicable legislative and regulatory requirements, and the information needs of the intended users.
29. ~~When the other historical financial information has been prepared for a special purpose, t~~The reference to the applicable financial reporting framework in ~~paragraph 26(d)~~ the statement of the responsible party's responsibility for the financial statements should make clear the ~~objective of the financial information purpose for which the financial statements have been prepared~~ and, if necessary, the intended users, or refer to a note in the ~~financial information~~ financial statements that contains that information.

#### Restriction on Distribution or Use

30. ~~When the other historical financial information financial statements has have~~ been prepared in accordance with a financial reporting framework designed ~~for a special purpose to meet the financial information needs of specific users~~, the auditor should make a user reader of the ~~financial information auditor's report~~ aware of that fact and that, as a result, the ~~other historical financial information financial statements and related auditor's report~~ may not be suitable for another purpose. The auditor includes such a statement in a separate paragraph following the auditor's opinion. ~~Financial information prepared in accordance with a framework designed for a special purpose may not be appropriate for use by anyone other than the intended users. The auditor, however, may not be in the position to control the distribution or use of the other historical financial information on which the auditor reports. For example, certain entities may be required by a regulator to place the other historical financial information on public record.~~

30a. Because special purpose financial statements by definition are prepared in accordance with a financial reporting framework designed to meet the financial information needs of specific users, they may not be appropriate for use by anyone other than the intended users. It is therefore desirable that readers of the auditor's report are informed of this fact. This could be achieved by restricting the distribution of the auditor's report; however, the auditor may not be in the position to control the distribution of the auditor's report. For example, certain entities may be required by a regulator to place the financial statements and related auditor's report on public record. At a minimum, however, the auditor could inform readers of the auditor's report that the financial statements have been prepared in accordance with a financial reporting framework designed to meet the financial information needs of specific users and, therefore, may not be suitable for another purpose.

31. When the ~~other historical financial information~~ financial statements ~~has~~ have been prepared for a special purpose (irrespective of whether the applicable financial reporting framework was designed ~~for a general or special purpose to meet the common financial information needs of a wide range of users~~), the auditor also considers including a statement in the auditor's report that the auditor's report is intended solely for the intended users and should not be distributed to or used by parties other than the intended users. For example, an entity may ~~inappropriately provide other historical financial information prepared for a special purpose~~ special purpose financial statements to a broader user group, such as shareholders, who may use the financial information for a variety of purposes. The auditor may consider it appropriate in the circumstances to indicate in the terms of the engagement and the auditor's report that the auditor's report may be distributed to or used by parties other than the intended users only if the auditor's prior written consent is obtained.

## Auditor's Report

58. **The auditor's report should be in writing.**
59. A written report encompasses both reports issued in hard copy format and those using an electronic medium.
60. The following is an illustration of the auditor's report incorporating the elements set forth above for an audit of a complete set of financial statements prepared in accordance with IFRSs, expressing an ~~unqualified unmodified~~ opinion. In addition to the audit of the financial statements, the illustration assumes that the auditor has other reporting responsibilities required under local law.

#### INDEPENDENT AUDITOR'S REPORT

*[Appropriate Addressee]*

##### **Report on the Financial Statements<sup>18</sup>**

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

##### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those

standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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.<sup>19</sup> 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 give a true and fair view of (or "*present fairly, in all material respects,*") the financial position of ABC Company as of 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]*

**Auditor's Report for Audits Conducted in Accordance with Both ISAs and Auditing Standards of a Specific Jurisdiction or Country**

61. The auditor may conduct the audit in accordance with both the ISAs and the auditing standards of a specific jurisdiction or country (for purposes of this ISA referred to as “national auditing standards”).
62. **The auditor's report should refer to the audit having been conducted in accordance with the International Standards on Auditing only when the auditor has complied fully with all of the International Standards on Auditing relevant to the audit.**
63. The auditor may refer to the audit having been conducted in accordance with both ISAs as well as national auditing standards when the auditor complies with each of the ISAs relevant to the audit and performs any additional audit procedures necessary to comply with the relevant standards of that jurisdiction or country. A reference to both the ISAs and national auditing standards is not appropriate if there is a conflict between the reporting requirements regarding the auditor's report in the ISAs and in the national auditing standards that affects the auditor's opinion or the need to include an emphasis of matter paragraph in the particular circumstances. For example, some national auditing standards prohibit the auditor from including an emphasis of matter paragraph to highlight a going concern problem, whereas ISA 700<sup>16</sup> requires the auditor to ~~modify the auditor's report by~~ adding an emphasis of matter paragraph in such circumstances. In case of such conflicts, the auditor's report refers only to the auditing standards (either ISAs or the relevant national auditing standards) in accordance with which the auditor has complied with the reporting requirements.
64. **When the auditor's report refers to both International Standards on Auditing and auditing standards of a specific jurisdiction or country, the auditor's report should identify the jurisdiction or country of origin of the auditing standards.**

**Auditor's Report for Audits Conducted in Accordance with Both ISAs and Auditing Standards of a Specific Jurisdiction or Country**

33. The auditor may conduct the audit of the ~~other historical financial information~~ financial statements in accordance with both the ISAs and the auditing standards of a specific jurisdiction or country. ~~Where this is the case, the auditor applies the standards and guidance in ISA 700 (Revised), paragraphs 61-66, relevant to the audit of the other historical financial information. Where this is the case, the auditor should follow the standards and guidance in ISA 700 (Revised) that deal with the auditor's report for audits conducted in accordance with both ISAs and auditing standards of a specific jurisdiction or country.~~

65. When the auditor prepares the auditor's report using the layout or wording specified by the law, regulation or auditing standards of the specific jurisdiction or country, the auditor's report should refer to the audit being conducted in accordance with both International Standards on Auditing and the auditing standards of the specific jurisdiction or country only if the auditor's report includes, at a minimum, each of the following elements:
- (a) A title;
  - (b) An addressee, as required by the circumstances of the engagement;
  - (c) An introductory paragraph that identifies the financial statements audited;
  - (d) A description of management's responsibility for ~~the preparation and fair presentation of~~ preparing and presenting the financial statements;
  - (e) A description of the auditor's responsibility to express an opinion on the financial statements and the scope of the audit, that includes:
    - (i) A reference to the International Standards on Auditing and the auditing standards of the specific jurisdiction or country, and
    - (ii) A description of the work an auditor performs in an audit.
  - (f) An opinion paragraph containing an expression of opinion on the financial statements<sup>20</sup> and a reference to the applicable financial reporting framework used to prepare the financial statements (including identifying the country of origin of the financial reporting framework ~~that is not when~~ International Financial Reporting Standards or International Public Sector Accounting Standards ~~are not used~~);

- (g) **The auditor's signature;**
  - (h) **The date of the auditor's report; and**
  - (i) **The auditor's address.**
66. The auditor may be obliged by national law or regulation to use a layout or wording in the auditor's report that differs from that described in this ISA. When the differences only relate to the layout and wording of the auditor's report, the auditor will be considered to have complied with the reporting requirements of the ISAs provided that the auditor's report includes, at a minimum, each of the elements identified in paragraph 65 – even if using the layout and wording specified by national laws or regulations. Where specific requirements in a particular jurisdiction do not conflict with ISAs, the auditor adopts the layout and wording used in this ISA so that users can more readily recognize the auditor's report as a report on an audit conducted in accordance with ISAs.

#### **Unaudited Supplementary Information Presented with Audited Financial Statements**

67. **The auditor should be satisfied that any supplementary information presented together with the financial statements that is not covered by the auditor's opinion is clearly differentiated from the audited financial statements.**
68. As noted in paragraphs 25-26, the entity may be required to, or management may choose to, include supplementary information together with the financial statements. The auditor's opinion is considered to cover supplementary information that cannot be clearly differentiated from the financial statements because of its nature and how it is presented. In other circumstances, however, law or regulation may not require the supplementary information to be audited and management may not ask the auditor to include the supplementary information within the scope of the audit of the

#### **Unaudited Supplementary Information Presented with Audited ~~Other Historical Financial Information~~ Financial Statements**

34. ~~The auditor should be satisfied that any supplementary information (presented together with the other historical financial information) that is not covered by the auditor's opinion is clearly differentiated from the audited financial information.~~ Where ~~un~~audited supplementary information ~~is~~ may be presented with the audited ~~other historical financial information financial statements~~, the auditor applies the standards and guidance in ISA 700 (Revised), paragraphs 67-71, relevant to the audit of the other historical financial information. Where this is the case, the auditor should follow the standards and guidance in ISA 700 (Revised) that deal with unaudited supplementary information presented with audited financial statements.

financial statements. When the supplementary information is not intended to be audited, the auditor considers whether that supplementary information is presented in a manner that could be construed as being covered by the auditor's opinion and, if so, asks management to change how the information is presented. The auditor considers, for example, where the unaudited information is presented in relation to the financial statements and any audited supplementary information, and whether it is clearly labeled as "unaudited." The auditor asks management to remove any cross references from the financial statements to unaudited supplementary schedules or unaudited notes because the demarcation between the audited and unaudited information would not be sufficiently clear. Unaudited notes that are intermingled with the audited notes can also be misinterpreted as being audited. Therefore, the auditor asks the entity to place the unaudited information outside of the ~~set of~~ 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.

69. As noted in paragraph 23, when the auditor is aware that the financial statements will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the audited financial statements are presented in the auditor's report. This helps readers differentiate the financial statements from other information not covered by the auditor's opinion.
70. **If the auditor concludes that the entity's presentation of any unaudited supplementary information does not differentiate it sufficiently from the audited financial statements, the auditor should explain in the auditor's report that that information has not been audited.**
71. 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, “Other Information in Documents Containing Audited Financial Statements.”

### **Reporting Considerations Specific to Reporting on a Single Financial Statement, One or More Specific Elements, Accounts or Items of a Financial Statement**

35. An auditor may undertake an engagement to report on ~~a single financial statement or statements, or~~ one or more specific elements, accounts or items of a financial statement, separately or together with an audit of the entity’s ~~complete set of~~ financial statements. ~~Even when undertaken together, each engagement requires the auditor should express a separate audit opinion for each of the engagements.~~
- 35a. When the entity intends to publish an audited ~~single financial statement, element, account or item together with the complete set of entity’s~~ financial statements, the ~~auditor should consider whether (a) the~~ entity’s presentation of the audited ~~single financial statement, element, account or item~~ should differentiate it sufficiently from the ~~complete set of~~ financial statements, ~~and (b), if~~ the audit opinion on the ~~single financial statement, element, account or item~~ is should also be sufficiently differentiated from the audit opinion on the ~~complete set of~~ financial statements. If the auditor concludes that the differentiation is insufficient, the auditor asks the responsible party to rectify the situation. The auditor does not issue the auditor’s report on the ~~other historical financial information element, account or item~~ until satisfied with the differentiation.
36. ~~When the auditor expresses an opinion on one or more specific elements, accounts or items in a financial statement and a modified opinion auditor’s report has been expressed issued with respect to that on an entity’s financial statements, or an emphasis of matter paragraph or other matters paragraph has been included in the auditor’s report with respect to that financial statement, the auditor should consider the effect that this may have on the auditor’s report on the specific an elements, accounts or items constituting~~

- ~~the other historical financial information.~~
37. When ~~the a~~ modified audit opinion on the financial statements ~~with respect to the financial statement~~ relates to the ~~other historical financial information element, account or item~~, the auditor considers whether to modify the audit opinion on the ~~other historical financial information element, account or item~~ in a similar manner. When ~~the a~~ modified audit opinion ~~with respect to on~~ the financial statement does not relate to the ~~other historical financial information element, account or item~~, the auditor considers whether it may be necessary to refer to the modified opinion in an other matters paragraph (see [proposed] ISA 706) in the auditor's report on the ~~other historical financial information element, account or item~~.
38. In accordance with [proposed] ISA 705, ~~paragraph 34, if~~ the auditor has expressed an adverse opinion or disclaimed an opinion on the financial statements as a whole, the auditor is not permitted to ~~include a supplementary express an~~ unmodified opinion on one or more specific elements, accounts or items of ~~a~~ those financial statements ~~in an the same~~ auditor's report and with respect to the same applicable financial reporting framework that contains an adverse opinion or a disclaimer of opinion on the financial statements as a whole. The auditor, ~~h~~However, where the opinion on the specific elements, accounts or items is expressed in a separate auditor's report, the auditor may be able to express an unmodified opinion on ~~them one or more specific elements, accounts or items in a financial statement with respect to which the auditor has expressed an adverse opinion or a disclaimer of opinion~~, provided that (a) the matters to be reported on and the related scope of the audit were not intended to, and did not, encompass so many elements, accounts or items as to constitute a major portion of ~~that those~~ financial statements, and (b) ~~the opinion on the specified element, account or item is presented in a separate report.~~

### Effective Date

39. This ISA is effective for auditors' reports dated on or after

## Effective Date

72. This ISA is effective for auditor's reports dated on or after  
~~December 31, 2006 [date].~~

## Public Sector Perspective

[The PSP has not been reproduced for purposes of this discussion.]

~~December 31, 2006 [date].~~

## Appendix 1

*[Moved to ISA 200.]*

## Appendix 2

*[See separate Agenda Item containing examples of auditors' reports on special purpose financial statements.]*

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<sup>1</sup> ~~—This ISA is applicable for auditor's reports on financial statements described in paragraph 1 of the ISA.~~

<sup>2</sup> ~~—Implementation of the final sentence of paragraph 3 and paragraphs 37-48 of ISA 200 (amended as a result of ISA 700 (Revised)) has been deferred until such time as proposed ISA 701, "The Independent Auditor's Report on Other Historical Financial Information" becomes effective (a date yet to be determined). The remainder of ISA 200 (amended as a result of ISA 700 (Revised)) is effective for audits of financial statements for periods beginning on or after December 15, 2005.~~

<sup>3</sup> ~~—As explained in paragraph 35 of ISA 200, "Objective and General Principles Governing an Audit of Financial Statements," the financial reporting framework determines what constitutes a complete set of financial statements. A complete set of financial statements under International Financial Reporting Standards (IFRSs) comprises 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.~~

<sup>4</sup> ~~—ISA 200, "Objective and General Principles Governing an Audit of Financial Statements" defines "a financial reporting framework designed to achieve fair presentation" as a financial reporting framework that (a) provides a context for the auditor's evaluation of the fair presentation of the financial statements, and (b) acknowledges, implicitly or explicitly, that to achieve the objective of fair presentation of the financial statements (i) it may be necessary for management to provide disclosures beyond the specific requirements of the framework, or (ii) in extremely rare circumstances, it may be necessary for management to depart from the specific requirements of the framework.~~

<sup>5</sup> ~~—Implementation of ISA 210 (amended as a result of ISA 700 (Revised)) has been deferred until such time as proposed ISA 701, "The Independent Auditor's Report on Other Historical Financial Information" becomes effective (a date yet to be determined).~~

<sup>6</sup> ~~—See footnote 2.~~

<sup>7</sup> ~~—See ISA 330, "The Auditor's Procedures in Response to Assessed Risks."~~

<sup>8</sup> ~~—See ISA 320, "Audit Materiality."~~

<sup>9</sup> ~~—See ISA 330, "The Auditor's Procedures in Response to Assessed Risks."~~

<sup>10</sup> ~~See ISA 320, “Audit Materiality.”~~

<sup>11</sup> ~~As indicated in paragraph 17, this responsibility applies where the financial reporting framework is designed to achieve fair presentation, even though the auditor may be required to report in other terms (such as whether the other historical financial information has been properly prepared in accordance with the applicable financial reporting framework).~~

<sup>12</sup> ~~See footnote 4.~~

<sup>13</sup> ~~Paragraphs 61–66 address the auditor’s report when the audit has been conducted in accordance with both ISAs and auditing standards of a specific jurisdiction or country.~~

<sup>14</sup> 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, “Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement”), no specific reference is made to them in paragraph 28 for the description of management’s responsibilities.

<sup>15</sup> ~~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.~~

<sup>16</sup> ~~Where the terms “give a true and fair view” or “are presented fairly, in all material respects,” are used to express the auditor’s opinion on other historical financial information, the auditor’s report refers to “the preparation and fair presentation of the other historical financial information” instead of “preparation and presentation.”~~

<sup>17</sup> 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.

<sup>18</sup> The subheading “Report on the Financial Statements” is unnecessary in circumstances when the second subheading “Report on Other Legal and Regulatory Requirements” is not applicable.

<sup>19</sup> 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.”

<sup>20</sup> Circumstances when the auditor needs to modify the auditor’s opinion are addressed in [proposed] ISA ~~701~~ 705, “Modifications to the Opinion in the Independent Auditor’s Report.” In some circumstances, the auditor may not be able to express an opinion on the financial statements because the effect of a limitation on the scope of the audit is so material and pervasive that the auditor has not been able to obtain sufficient appropriate audit evidence. In such circumstances, the auditor expresses a disclaimer of opinion.