

Proposed Changes to Other ISAs (All Conforming Amendments)

I. Changes to ISAs as a Result of Proposed ISA 701

A. Conforming Amendments to ISA 210, *Agreeing the Terms of Audit Engagements*

Requirement to Communicate KAM

1. At its June 2014 meeting, the IAASB agreed to limit the requirement to communicate key audit matters (KAM) to audits of complete sets of general purpose financial statements of listed entities, but allow for voluntary application by other entities. A revised requirement and related application material was considered during the meeting, and generally supported. However, minor editorial changes were suggested, which DT-701 supports. See paragraphs 30–31 of proposed ISA 700 (Revised)¹ and related application material (**Agenda Item 4-B**).
2. The IAASB also agreed to revise application material in ISA 210 addressing voluntary application of proposed ISA 701,² marked from what was presented in the June 2014 material as follows:

Audit Engagement Letter or Other Form of Written Agreement (Ref: Para. 10–11)

Form and Content of the Audit Engagement Letter

A23a. When the auditor is not required to communicate key audit matters, ~~acknowledging that the auditor intends to communicate key audit matters in the auditor's report when not otherwise required to do so makes management and those charged with governance aware of the auditor's intent. It may therefore be helpful for the auditor to make reference in the terms of the audit engagement to the possibility of communicating key audit matters in the auditor's report and, in certain jurisdictions, it may be necessary for the auditor to include a reference to such possibility in order to retain the ability to do so.~~

B. Conforming Amendment to ISA 220, *Quality Control for an Audit of Financial Statements*

3. At its June 2014 meeting, the IAASB supported making a conforming amendment to ISA 220 to address how the auditor's judgments relating to KAM are considered by the engagement quality control reviewer. DT-701 proposes minor changes to further clarify the new application material, marked from what was presented in the June 2014 material, as follows:

Engagement Performance

Engagement Quality Control Review

...

¹ Proposed ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

² Proposed ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

20. The engagement quality control reviewer shall perform an objective evaluation of the significant judgments made by the engagement team, and the conclusions reached in formulating the auditor's report. This evaluation shall involve:
- (a) Discussion of significant matters with the engagement partner;
 - (b) Review of the financial statements and the proposed auditor's report;
 - (c) Review of selected audit documentation relating to the significant judgments the engagement team made and the conclusions it reached; and
 - (d) Evaluation of the conclusions reached in formulating the auditor's report and consideration of whether the proposed auditor's report is appropriate. (Ref: Para. A26–A27, A29–A31)

...

Engagement Quality Control Review

...

Nature, Timing and Extent of Engagement Quality Control Review (Ref: Para. 20)

...

~~A27a. When the auditor is required or otherwise decides to communicate key audit matters in accordance with proposed ISA 701, the conclusions reached by the engagement team in formulating the auditor's report include determining the engagement quality control reviewer's evaluation required by paragraph 20 includes consideration of:~~

- ~~Those matters the auditor has determined are~~ The key audit matters to be included in the auditor's report, if any;
- The key audit matters that ~~the auditor has determined~~ will not be communicated in the auditor's report in accordance with paragraph ~~1444~~ of proposed ISA 701, if any; and
- If applicable, depending on the facts and circumstances of the entity and the audit, ~~the auditor's determination that there are no key audit matters to communicate in the auditor's report; and~~

In addition, the review of the proposed auditor's report in accordance with paragraph 20(b) includes consideration of ~~t~~ The proposed wording to be included in the Key Audit Matters section of the auditor's report.

C. *Conforming Amendments to ISA 230, Audit Documentation*

4. The Exposure Draft (ED) included a conforming amendment to ISA 230 in light of the proposed documentation requirement in proposed ISA 701. DT-701 is of the view that a minor change is needed to the conforming amendment to align with paragraph 18 of **Agenda Item 2-B**, marked from ED as follows:

Documentation of the Audit Procedures Performed and Audit Evidence Obtained

Form, Content and Extent of Audit Documentation

Documentation of Significant Matters and Related Significant Professional Judgments (Ref: Para. 8(c))

A10. Some examples of circumstances in which, in accordance with paragraph 8, it is appropriate to prepare audit documentation relating to the use of professional judgment include, where the matters and judgments are significant:

- The rationale for the auditor's conclusion when a requirement provides that the auditor "shall consider" certain information or factors, and that consideration is significant in the context of the particular engagement.
- The basis for the auditor's conclusion on the reasonableness of areas of subjective judgments (for example, the reasonableness of significant accounting estimates).
- The basis for the auditor's conclusions about the authenticity of a document when further investigation (such as making appropriate use of an expert or of confirmation procedures) is undertaken in response to conditions identified during the audit that caused the auditor to believe that the document may not be authentic.
- When a Key Audit Matters section is included in the auditor's report in accordance with proposed ISA 701,³ the auditor's determination of the key audit matters or the determination that there are no key audit matters to be communicated.

D. *Conforming Amendments to ISA 540, Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*

5. The ED included a conforming amendment to ISA 540 to clarify that, depending on the circumstances, matters related to a significant estimation uncertainty may be highlighted as KAM or may be referred to in Emphasis of Matter (EOM) paragraphs. DT-701 is of the view that reordering references to KAM and EOM paragraphs to first focus on KAM is more consistent with the approach taken in proposed ISA 706 (Revised),⁴ and that clarifying that the uncertainty is related to estimation uncertainty (vs. a going concern material uncertainty) is also necessary.

Further Substantive Procedures to Respond to Significant Risks (Ref: Para. 15)

Recognition and Measurement Criteria

Recognition of the Accounting Estimates in the Financial Statements (Ref: Para. 17(a))

A114. With respect to accounting estimates that have not been recognized, the focus of the auditor's evaluation is on whether the recognition criteria of the applicable financial reporting framework have in fact been met. Even where an accounting estimate has not been recognized, and the

³ Proposed ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

⁴ Proposed ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*

auditor concludes that this treatment is appropriate, there may be a need for disclosure of the circumstances in the notes to the financial statements. The auditor may also determine that there is a need to draw the reader's attention to a significant estimation uncertainty by ~~including an Emphasis of Matter paragraph (see proposed ISA 706 (Revised))~~ or, where applicable, communicating this as a key audit matter in the auditor's report in accordance with proposed ISA 701⁵ or including an Emphasis of Matter paragraph (see proposed ISA 706 (Revised)).⁶ If the matter is determined to be a key audit matter, proposed ISA 706 (Revised) prohibits the auditor from including an Emphasis of Matter paragraph in the auditor's report.⁷

E. Conforming Amendments to ISA 710, Comparative Information—Corresponding Figures and Comparative Financial Statements

6. The ED included a conforming amendment to ISA 710 to clarify that, depending on the circumstances, matters related to unaudited prior period financial statements may be highlighted as KAM, be referred to in an Other Matter (OM) paragraph, or may require a modification of the auditor's opinion. DT-701 is of the view that no change is needed to the conforming amendment to align with proposed ISA 701, proposed ISA 706 (Revised), or proposed ISA 705 (Revised).⁸

Auditor Reporting

Corresponding Figures

Prior Period Financial Statements Not Audited

14. If the prior period financial statements were not audited, the auditor shall state in an Other Matter paragraph in the auditor's report that the corresponding figures are unaudited. Such a statement does not, however, relieve the auditor of the requirement to obtain sufficient appropriate audit evidence that the opening balances do not contain misstatements that materially affect the current period's financial statements. (Ref: Para. A7a)

...

Comparative Financial Statements

...

16. When reporting on prior period financial statements in connection with the current period's audit, if the auditor's opinion on such prior period financial statements differs from the opinion the auditor previously expressed, the auditor shall disclose the substantive reasons for the different opinion in an Other Matter paragraph in accordance with proposed ISA 706 (Revised).

...

⁵ Proposed ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

⁶ Proposed ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*

⁷ Proposed ISA 706 (Revised), paragraph 8(b)

⁸ Proposed ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

Prior Period Financial Statements Not Audited

19. If the prior period financial statements were not audited, the auditor shall state in an Other Matter paragraph that the comparative financial statements are unaudited. Such a statement does not, however, relieve the auditor of the requirement to obtain sufficient appropriate audit evidence that the opening balances do not contain misstatements that materially affect the current period's financial statements. (Ref: Para. A12)

Auditor Reporting

Corresponding Figures

Prior Period Financial Statements Not Audited (Ref: Para. 14)

- A7a. If the auditor is unable to obtain sufficient appropriate audit evidence regarding the opening balances, the auditor is required by proposed ISA 705 (Revised)⁹ to express a qualified opinion or disclaim an opinion on the financial statements, as appropriate, in accordance with proposed ISA 705 (Revised). If the auditor encountered significant difficulty in obtaining sufficient appropriate audit evidence that the opening balances do not contain misstatements that materially affect the current period's financial statements, the auditor may determine this to be a key audit matter in accordance with proposed ISA 701.¹⁰

...

Comparative Financial Statements

...

Prior Period Financial Statements Not Audited (Ref: Para. 19)

- A12. If the auditor is unable to obtain sufficient appropriate audit evidence regarding the opening balances, the auditor is required by proposed ISA 705 (Revised) to express a qualified opinion or disclaim an opinion on the financial statements, as appropriate, in accordance with proposed ISA 705 (Revised). If the auditor encountered significant difficulty in obtaining sufficient appropriate audit evidence that the opening balances do not contain misstatements that materially affect the current period's financial statements, the auditor may determine this to be a key audit matter in accordance with proposed ISA 701.

II. Changes to ISAs as a Result of Proposed ISA 700 (Revised)

A. *Conforming Amendments to ISA 210*

7. The ED included proposed revisions to the Appendix in ISA 210, which contains an example of an audit engagement letter. These revisions were intended to further align with the proposed changes

⁹ Proposed ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

¹⁰ Proposed ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

to the description of the auditor's responsibilities in the auditor's report in proposed ISA 700 (Revised). DT-700 is proposing revisions to those initial changes, in light of the revisions made to the description of the auditor's responsibilities section in proposed ISA 700 (Revised) to address the feedback from the respondents to the ED.

Appendix 1

Example of an Audit Engagement Letter

The following is an example of an audit engagement letter for an audit of general purpose financial statements ...

To the appropriate representative of management or those charged with governance of ABC Company:¹¹

[The objective and scope of the audit]

You¹² have requested that we audit the financial statements of ABC Company, ...

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error...

[The responsibilities of the auditor]

We will conduct our audit in accordance with ISAs. Those standards require that we comply with relevant ethical requirements, including those pertaining to independence, relating to the audit. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement ...
- Obtain an understanding of internal control relevant to the audit ...
- Evaluate the appropriateness of accounting policiesConclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. However, future events or conditions may cause an entity to cease to continue as a going concern.
- Evaluate the overall presentation, ...

...

¹¹ The addressees and references in the letter would be those that are appropriate in the circumstances of the engagement, including the relevant jurisdiction. It is important to refer to the appropriate persons – see paragraph A21.

B. *Conforming Amendments to ISA 510, Initial Audit Engagements—Opening Balances*

8. The ED indicated that the illustrations of auditor’s reports in the Appendix of ISA 510 would be conformed to the presentation in proposed ISAs 700 (Revised) and 705 (Revised), and that the nature of such conforming amendments would relate solely to updating the placement and structure of the content of those illustrative auditor’s reports. On that premise, DT-700 proposes the changes below to the illustrative auditor’s reports in the Appendix of extant ISA 510. No other changes are being proposed to the requirements or application material of extant ISA 510.

Appendix

(Ref: Para. A8)

Illustrations of Auditor’s Reports with Modified Opinions

Illustration 1:

For purposes of this illustrative auditor’s report, the following circumstances described in paragraph A8(a) assumed include the following:

- Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600¹³ does not apply).
- The 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 financial statements in ISA 210.
- The auditor did not observe the counting of the physical inventory at the beginning of the current period and was unable to obtain sufficient appropriate audit evidence regarding the opening balances of inventory.
- The possible effects of the inability to obtain sufficient appropriate audit evidence regarding opening balances of inventory are deemed to be material but not pervasive to the entity’s financial performance and cash flows.¹⁴
- The financial position at year end is fairly presented.
- In this particular jurisdiction, law and regulation prohibit the auditor from giving an opinion which is qualified regarding the financial performance and cash flows and unmodified regarding financial position.
- The relevant ethical requirements that apply to the audit are those of the jurisdiction.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast doubt on the

¹² Throughout this letter, references to “you,” “we,” “us,” “management,” “those charged with governance” and “auditor” would be used or amended as appropriate in the circumstances.

¹³ [ISA 600, *Special Considerations—Audits of Group Financial Statements \(Including the Work of Component Auditors\)*](#)

¹⁴ If the possible effects, in the auditor’s judgment, are considered to be material and pervasive to the entity’s financial performance and cash flows, the auditor would disclaim an opinion on the financial performance and cash flows.

- [entity's ability to continue as a going concern in accordance with proposed ISA 570 \(Revised\).](#)¹⁵
- [The auditor is not required, and otherwise has not decided, to include key audit matters in accordance with proposed ISA 701.](#)¹⁶
 - [Corresponding figures are presented, and the prior period's financial statements were audited by a predecessor auditor. The auditor is not prohibited by law or regulation from referring to the predecessor auditor's report on the corresponding figures and decides to do so.](#)
 - [No other information has been obtained at the date of the auditor's report \(i.e., proposed ISA 720 \(Revised\)\)¹⁷ does not apply.](#)
 - [Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.](#)
 - [In addition to the audit of the 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](#) Financial Statements¹⁸

Qualified Opinion

We have audited the accompanying financial statements of ABC Company ([the Company](#)), which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and [notes to the financial statements, including](#) a summary of significant accounting policies ~~and other explanatory information.~~

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* [section of our report](#)~~paragraph~~, the financial statements present fairly, in all material respects, (or *give a true and fair view of*) the financial position of [ABC—the](#) Company as at December 31, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ([IFRSs](#)). [Opinion section positioned first in accordance with proposed ISA 700 (Revised).]

Basis for Qualified Opinion

We were appointed as auditors of the company on June 30, 20X1 and thus did not observe the counting of the physical inventories at the beginning of the year. We were unable to satisfy

¹⁵ [Proposed ISA 570 \(Revised\), Going Concern](#)

¹⁶ [Proposed ISA 701, Communicating Key Audit Matters in the Independent Auditor's Report](#)

¹⁷ [Proposed ISA 720 \(Revised\), The Auditor's Responsibilities Relating to Other Information](#)

¹⁸ The sub-title "Report on the [Audit of the](#) Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

ourselves by alternative means concerning inventory quantities held at December 31, 20X0. Since opening inventories enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the profit for the year reported in the statement of comprehensive income and the net cash flows from operating activities reported in the statement of cash flows.

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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in [jurisdiction] and have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion. [Basis for Opinion section positioned immediately after Opinion section in accordance with proposed ISA 700 (Revised). Also, the first and last sentence are moved from the auditor's responsibility section.]

Other Matter

The financial statements of ~~ABC-the~~ Company for the year ended December 31, 20X0 were audited by another auditor who expressed an unmodified opinion on those statements on March 31, 20X1.

Responsibilities of [Management's¹⁹ and Those Charged with Governance Responsibility for the Financial Statements

[Reporting in accordance with proposed ISA 700 (Revised)²⁰ – see illustration 1 in proposed ISA 700 (Revised)]

~~Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards,²⁴ and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.~~

Auditor's Responsibility for the Audit of the Financial Statements

[Reporting in accordance with proposed ISA 700 (Revised) – see illustration 1 in proposed ISA 700 (Revised)]

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

¹⁹ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

²⁰ Proposed ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

²⁴ ~~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 financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such"~~

~~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, 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.~~

~~In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation²² 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.²³—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 qualified audit opinion.~~

Report on Other Legal and Regulatory Requirements

~~[Reporting in accordance with proposed ISA 700 (Revised) – see illustration 1 in proposed ISA 700 (Revised)]~~

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

~~[Auditor's Address] [Placement of date and address reversed]~~

~~[Date of the auditor's report]~~

²² ~~In the case of footnote 4, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."~~

²³ ~~In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 4, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances."~~

Illustration 2:

For purposes of this illustrative auditor's report, the following circumstances described in paragraph A8(b) include the following are assumed:

- Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 does not apply).
- The financial statements are prepared for a general purpose by management of the entity in accordance with IFRSs.
- The terms of the audit engagement reflect the description of management's responsibility for the financial statements in ISA 210
- The auditor did not observe the counting of the physical inventory at the beginning of the current period and was unable to obtain sufficient appropriate audit evidence regarding the opening balances of inventory.
- The possible effects of the inability to obtain sufficient appropriate audit evidence regarding opening balances of inventory are deemed to be material but not pervasive to the entity's financial performance and cash flows.²⁴
- The financial position at year end is fairly presented.
- An opinion that is qualified regarding the financial performance and cash flows and unmodified regarding financial position is considered appropriate in the circumstances.
- The relevant ethical requirements that apply to the audit are those of the jurisdiction.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast doubt on the entity's ability to continue as a going concern in accordance with proposed ISA 570 (Revised).
- The auditor is not required, and otherwise has not decided, to include key audit matters in accordance with proposed ISA 701.
- Corresponding figures are presented, and the prior period's financial statements were audited by a predecessor auditor. The auditor is not prohibited by law or regulation from referring to the predecessor auditor's report on the corresponding figures and decides to do so.
- No other information has been obtained at the date of the auditor's report (i.e., proposed ISA 720 (Revised) does not apply).
- Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.
- In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.

²⁴ If the possible effects, in the auditor's judgment, are considered to be material and pervasive to the entity's financial performance and cash flows, the auditor would disclaim the opinion on the financial performance and cash flows.

INDEPENDENT AUDITOR’S REPORT

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

Report on the [Audit of the](#) Financial Statements²⁵

[Opinions](#)

We have audited the accompanying financial statements of ABC Company ([the Company](#)), which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and [notes to the financial statements, including](#) a summary of significant accounting policies ~~and other explanatory information~~.

Qualified [Opinion on the](#) Financial Performance and Cash Flows

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* ~~paragraph~~[section of our report](#), the Statement of Comprehensive Income and Statement of Cash Flows present fairly, in all material respects (or *give a true and fair view of*), the financial performance and cash flows of ~~ABC—the~~ Company for the year ended December 31, 20X1 in accordance with International Financial Reporting Standards ([IFRSs](#)).

Opinion on the Financial Position

In our opinion, the statement of financial position presents fairly, in all material respects (or *gives a true and fair view of*), the financial position of ~~ABC—the~~ Company as at December 31, 20X1 in accordance with ~~International Financial Reporting Standards~~[IFRSs](#). [Opinion section positioned first in accordance with proposed ISA 700 (Revised).]

Basis for [Opinions, Including Basis for](#) Qualified Opinion on the Financial Performance and Cash Flows

We were appointed as auditors of the ~~e~~Company on June 30, 20X1 and thus did not observe the counting of the physical inventories at the beginning of the year. We were unable to satisfy ourselves by alternative means concerning inventory quantities held at December 31, 20X0. Since opening inventories enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the profit for the year reported in the statement of comprehensive income and the net cash flows from operating activities reported in the statement of cash flows.

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 Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in \[jurisdiction\] and have fulfilled our other ethical responsibilities in accordance with these requirements.](#) We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our

²⁵ The sub-title “Report on the [Audit of the](#) Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

unmodified opinion on the financial position and our qualified audit opinion on the financial performance and cash flows. [Basis for Opinion section positioned immediately after Opinion section in accordance with proposed ISA 700 (Revised). Also, the first and last sentence are moved from the auditor's responsibility section.]

Other Matter

The financial statements of the ABC Company for the year ended December 31, 20X0 were audited by another auditor who expressed an unmodified opinion on those statements on March 31, 20X1.

Responsibilities of Management's²⁶ and Those Charged with Governance Responsibility for the Financial Statements

[Reporting in accordance with proposed ISA 700 (Revised) – see illustration 1 in proposed ISA 700 (Revised)]

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards,²⁷ and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

[Reporting in accordance with proposed ISA 700 (Revised) – see illustration 1 in proposed ISA 700 (Revised)]

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error, 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.

²⁶ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

²⁷ 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 financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such"

~~In making these risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation²⁸ 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.²⁹ 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 unmodified opinion on the financial position and our qualified audit opinion on the financial performance and cash flows.~~

Report on Other Legal and Regulatory Requirements

~~[Reporting in accordance with proposed ISA 700 (Revised) – see illustration 1 in proposed ISA 700 (Revised)]~~

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

~~[Auditor's Address] [Placement of date and address reversed]~~

~~[Date of the auditor's report]~~

- C. *Conforming Amendments to ISA 600, Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*
9. As noted above, the ED indicated that illustrative auditor's report in Appendix 1 of ISA 600 would be conformed to the presentation in proposed ISAs 700 (Revised) and 705 (Revised) and that the nature of such conforming amendments would relate solely to updating the placement and structure of the content of those illustrative auditor's reports. On that premise, DT-700 proposes the changes below to Appendix 1 of extant ISA 600. No changes are being proposed to the requirements or application material of ISA 600.

²⁸ ~~In the case of footnote 4, this may read: "In making these risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."~~

²⁹ ~~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 these risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 4, this may read: "In making these risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances."~~

Appendix 1

(Ref: Para. A19)

Example of a Qualified Opinion Where the Group Engagement Team Is Not Able to Obtain Sufficient Appropriate Audit Evidence on Which to Base the Group Audit Opinion

In this example, the group engagement team is unable to obtain sufficient appropriate audit evidence relating to a significant component accounted for by the equity method (recognized at \$15 million in the statement of financial position, which reflects total assets of \$60 million) because the group engagement team did not have access to the accounting records, management, or auditor of the component.

The group engagement team has read the audited financial statements of the component as at December 31, 20X1, including the auditor's report thereon, and considered related financial information kept by group management in relation to the component.

In the group engagement partner's judgment, the effect on the group financial statements of this inability to obtain sufficient appropriate audit evidence is material but not pervasive.

INDEPENDENT AUDITOR'S REPORT

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

Report on the [Audit of the Consolidated Financial Statements](#)³⁰

Qualified Opinion

We have audited the accompanying 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, statement of changes in equity and statement of cash flows for the year then ended, and [notes to the financial statements, including](#) a summary of significant accounting policies ~~and other explanatory information~~.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* ~~section of our report~~[paragraph](#), the consolidated financial statements present fairly, in all material respects (or *give a true and fair view of*), the financial position of ~~the Group ABC Company and its subsidiaries~~ as at December 31, 20X1, and (of) their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards. [Opinion section positioned first in accordance with proposed ISA 700 (Revised).]

Basis for Qualified Opinion

ABC Company's investment in XYZ Company, a foreign associate acquired during the year and accounted for by the equity method, is carried at \$15 million on the consolidated statement of financial position as at December 31, 20X1, and ABC's share of XYZ's net income of \$1 million is

³⁰ The sub-title, "Report on the Consolidated Financial Statements" is unnecessary in circumstances when the second sub-title, "Report on Other Legal and Regulatory Requirements" is not applicable.

included in the consolidated statement of comprehensive income for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of ABC's investment in XYZ as at December 31, 20X1 and ABC's share of XYZ's net income for the year because we were denied access to the financial information, management, and the auditors of XYZ. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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 in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion. [Basis for Opinion section positioned immediately after Opinion section in accordance with proposed ISA 700 (Revised). Also, the first and last sentence are moved from the auditor's responsibility section.]

Responsibilities of Management³¹ and Those Charged with Governance Responsibility for the Consolidated Financial Statements

[Reporting in accordance with proposed ISA 700 (Revised)³² – see illustration 2 in proposed ISA 700 (Revised)]

~~Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards,³³ 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.~~

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

[Reporting in accordance with proposed ISA 700 (Revised) – see illustration 2 in proposed ISA 700 (Revised)]

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

~~An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the~~

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

³² Proposed ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

³³ ~~Where management's responsibility is to prepare consolidated 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 International Financial Reporting Standards, and for such"~~

~~consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation³⁴ of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.³⁵ An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.~~

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

Report on Other Legal and Regulatory Requirements

[Reporting in accordance with proposed ISA 700 (Revised) – see illustration 2 in proposed ISA 700 (Revised)]

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

[Auditor's Address] [Placement of date and address reversed]

[Date of the auditor's report]

If, in the group engagement partner's judgment, the effect on the group financial statements of the inability to obtain sufficient appropriate audit evidence is material and pervasive, the group engagement partner would disclaim an opinion in accordance with proposed ISA 705 (Revised).

D. Conforming Amendments to ISA 710

10. As noted at paragraph above, the ED indicated that the illustrations of auditor's reports in Appendix 1 of ISA 710 would be conformed to the presentation in proposed ISAs 700 (Revised) and 705 (Revised) and that the nature of such conforming amendments would relate solely to updating the placement and structure of the content of those illustrative auditor's reports. On that premise, DT-700 proposes the changes below to the illustrations in Appendix 1 of extant ISA 710. No other changes are being proposed to the requirements or application material of ISA 710.

³⁴ ~~In the case of footnote 3, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."~~

³⁵ ~~In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the consolidated financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 3, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances."~~

Illustrations of Auditor's Reports

Illustration 1 – Corresponding Figures (Ref: Para. A5)

~~For purposes of this Report~~—illustrative auditor's report, the following ~~of the~~—circumstances described in paragraph 11(a), as follows ~~are~~ assumed:

- Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600³⁶ does not apply).
- The 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 financial statements in ISA 210.
- The auditor's report on the prior period, as previously issued, included a qualified opinion.
- The matter giving rise to the modification is unresolved.
- The effects or possible effects of the matter on the current period's figures are material and require a modification to the auditor's opinion regarding the current period figures.
- The relevant ethical requirements that apply to the audit are those of the jurisdiction.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast doubt on the entity's ability to continue as a going concern in accordance with proposed ISA 570 (Revised).³⁷
- The auditor is not required, and otherwise has not decided, to include key audit matters in accordance with proposed ISA 701.³⁸
- No other information has been obtained at the date of the auditor's report (i.e., proposed ISA 720 (Revised)³⁹ does not apply).
- Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.
- In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.

³⁶ ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

³⁷ Proposed ISA 570 (Revised), *Going Concern*

³⁸ Proposed ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

³⁹ Proposed ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

INDEPENDENT AUDITOR’S REPORT

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

Report on the [Audit of the](#) Financial Statements⁴⁰

Qualified Opinion

We have audited the accompanying financial statements of ABC Company ([the Company](#)), which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and [notes to the financial statements, including](#) a summary of significant accounting policies [and other explanatory information](#).

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion section of our report*~~paragraph~~, the financial statements present fairly, in all material respects, (or *give a true and fair view of*) the financial position of ~~ABC-the~~ Company as at December 31, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ([IFRSs](#)). [Opinion section positioned first in accordance with proposed ISA 700 (Revised).]

Basis for Qualified Opinion

As discussed in Note X to the financial statements, no depreciation has been provided in the financial statements, which constitutes a departure from [International Financial Reporting Standards/IFRSs](#). This is the result of a decision taken by management at the start of the preceding financial year and caused us to qualify our audit opinion on the financial statements relating to that year. Based on the straight-line method of depreciation and annual rates of 5% for the building and 20% for the equipment, the loss for the year should be increased by xxx in 20X1 and xxx in 20X0, property, plant and equipment should be reduced by accumulated depreciation of xxx in 20X1 and xxx in 20X0, and the accumulated loss should be increased by xxx in 20X1 and xxx in 20X0.

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 Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in \[jurisdiction\] and have fulfilled our other ethical responsibilities in accordance with these requirements.](#) We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion. [Basis for Opinion section positioned immediately after Opinion section in accordance with proposed ISA 700 (Revised). Also, the first and last sentence are moved from the auditor’s responsibility section.]

⁴⁰ The sub-title “Report on the [Audit of the](#) Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

Responsibilities of Management⁴¹ and Those Charged with Governance Responsibility for the Financial Statements

[Reporting in accordance with proposed ISA 700 (Revised) – see illustration 1 in proposed ISA 700 (Revised).]

~~Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards,⁴² and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.~~

Auditor's Responsibility for the Audit of the Financial Statements

[Reporting in accordance with proposed ISA 700 (Revised) – see illustration 1 in proposed ISA 700 (Revised).]

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

~~An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error, 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.~~

~~In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation⁴³ 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.⁴⁴ An audit also includes evaluating the~~

⁴¹ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

⁴² ~~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 financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such"~~

⁴³ ~~In the case of footnote 4, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."~~

⁴⁴ ~~In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 4, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances."~~

~~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 qualified audit opinion.~~

Report on Other Legal and Regulatory Requirements

~~[Reporting in accordance with proposed ISA 700 (Revised) – see illustration 1 in proposed ISA 700 (Revised).]~~

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

~~[Auditor's Address] [Placement of date and address reversed]~~

~~[Date of the auditor's report]~~

Illustration 2 – Corresponding Figures (Ref: Para. A5)

For purposes of this illustrative auditor's Report illustrative of the following circumstances described in paragraph 11(b), as follows are assumed:

- Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 does not apply).
- The financial statements are prepared for a general purpose by management of the entity in accordance with IFRSs.
- The terms of the audit engagement reflect the description of management's responsibility for the financial statements in ISA 210
- The auditor's report on the prior period, as previously issued, included a qualified opinion.
- The matter giving rise to the modification is unresolved.
- The effects or possible effects of the matter on the current period's figures are immaterial but require a modification to the auditor's opinion because of the effects or possible effects of the unresolved matter on the comparability of the current period's figures and the corresponding figures.
- The relevant ethical requirements that apply to the audit are those of the jurisdiction.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast doubt on the entity's ability to continue as a going concern in accordance with proposed ISA 570 (Revised).
- The auditor is not required, and otherwise has not decided, to include key audit matters in accordance with proposed ISA 701.
- No other information has been obtained at the date of the auditor's report (i.e., proposed ISA 720 (Revised) does not apply).
- Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.
- In addition to the audit of the 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 Financial Statements⁴⁵

Qualified Opinion

We have audited the accompanying financial statements of ABC Company (the Company), which comprise the statement of financial position as at December 31, 20X1, and the statement of

⁴⁵ The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and [notes to the financial statements, including](#) a summary of significant accounting policies ~~and other explanatory~~.

In our opinion, except for the possible effects on the corresponding figures of the matter described in the *Basis for Qualified Opinion* [section of our report](#)~~paragraph~~, the financial statements present fairly, in all material respects, (or *give a true and fair view of*) the financial position of [ABC—the](#) Company as at December 31, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards-. [Opinion section positioned first in accordance with proposed ISA 700 (Revised).]

Basis for Qualified Opinion

Because we were appointed auditors of [ABC—the](#) Company during 20X0, we were not able to observe the counting of the physical inventories at the beginning of that period or satisfy ourselves concerning those inventory quantities by alternative means. Since opening inventories affect the determination of the results of operations, we were unable to determine whether adjustments to the results of operations and opening retained earnings might be necessary for 20X0. Our audit opinion on the financial statements for the period ended December 31, 20X0 was modified accordingly. Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

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 Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in \[jurisdiction\] and have fulfilled our other ethical responsibilities in accordance with these requirements.](#) We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion. [Basis for Opinion section positioned immediately after Opinion section in accordance with proposed ISA 700 (Revised).] Also, the first and last sentence are moved from the auditor's responsibility section.]

[Responsibilities of Management's](#)⁴⁶ [and Those Charged with Governance Responsibility](#) for the Financial Statements

[\[Reporting in accordance with proposed ISA 700 \(Revised\) – see illustration 1 in proposed ISA 700 \(Revised\).](#)

~~Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards,⁴⁷ and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.~~

⁴⁶ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

⁴⁷ ~~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 financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such"~~

Auditor's Responsibilities for the Audit of the Financial Statements

[Reporting in accordance with proposed ISA 700 (Revised) – see illustration 1 in proposed ISA 700 (Revised)].

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

~~An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error, 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.~~

~~In making these risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation⁴⁸ 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.⁴⁹ 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 qualified audit opinion.~~

Report on Other Legal and Regulatory Requirements

[Reporting in accordance with proposed ISA 700 (Revised) – see illustration 1 in proposed ISA 700 (Revised)].

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

⁴⁸—~~In the case of footnote 4, this may read: "In making these risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."~~

⁴⁹—~~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 these risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 4, this may read: "In making these risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances."~~

[Auditor's Address] [Placement of date and address reversed]

[Date of the auditor's report]

Illustration 3 – Corresponding Figures (Ref: Para. A7)

For purposes of this ~~Report~~ illustrative auditor's report of the following circumstances are assumed described in paragraph 13, as follows:

- ~~Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 does not apply).~~
- ~~The prior period's financial statements were audited by a predecessor auditor.~~
- ~~The auditor is not prohibited by law or regulation from referring to the predecessor auditor's report on the corresponding figures and decides to do so.~~
- The financial statements are prepared for a general purpose by management of the entity in accordance with IFRSs.
- The terms of the audit engagement reflect the description of management's responsibility for the financial statements in ISA 210.
- The relevant ethical requirements that apply to the audit are those of the jurisdiction.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast doubt on the entity's ability to continue as a going concern in accordance with proposed ISA 570 (Revised).
- The auditor is not required, and otherwise has not decided, to include key audit matters in accordance with proposed ISA 701.
- Corresponding figures are presented, and the prior period's financial statements were audited by a predecessor auditor. The auditor is not prohibited by law or regulation from referring to the predecessor auditor's report on the corresponding figures and decides to do so.
- No other information has been obtained at the date of the auditor's report (i.e., proposed ISA 720 (Revised) does not apply).
- Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.
- In addition to the audit of the 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 Financial Statements⁵⁰

Opinion

We have audited the accompanying financial statements of ABC Company (the Company), which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies ~~and other explanatory information~~.

In our opinion, the financial statements present fairly, in all material respects, (or *give a true and fair view of*) the financial position of ~~ABC the~~ Company as at December 31, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards. [Opinion section positioned first in accordance with proposed ISA 700 (Revised).]

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 Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in [jurisdiction] and have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. [Basis for Opinion section positioned immediately after Opinion section in accordance with proposed ISA 700 (Revised).] ~~Also, the first and last sentence are moved from the auditor’s responsibility section.~~

Other Matter

The financial statements of ~~ABC the~~ Company for the year ended December 31, 20X0, were audited by another auditor who expressed an unmodified opinion on those statements on March 31, 20X1.

Responsibilities of Management’s⁵¹ and Those Charged with Governance Responsibility for the Financial Statements

[Reporting in accordance with proposed ISA 700 (Revised) – see illustration 1 in proposed ISA 700 (Revised).

~~Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards,⁵² and for such internal control as~~

⁵⁰ The sub-title “Report on the Audit of the Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

⁵¹ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

~~management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.~~

Auditor's Responsibility for the Audit of the Financial Statements

[Reporting in accordance with proposed ISA 700 (Revised) – see illustration 1 in proposed ISA 700 (Revised)].

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

~~An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error, 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.~~

~~In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation⁵³ 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.⁵⁴ 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.~~

⁵² ~~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 financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such"~~

⁵³ ~~In the case of footnote 4, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."~~

⁵⁴ ~~In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 4, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances."~~

Report on Other Legal and Regulatory Requirements

[Reporting in accordance with proposed ISA 700 (Revised) – see illustration 1 in proposed ISA 700 (Revised).]

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

~~*[Auditor's Address]*~~ [Placement of date and address reversed]

~~*[Date of the auditor's report]*~~

Illustration 4 – Comparative Financial Statements (Ref: Para. A9)

Report illustrative of the circumstances described in paragraph 15, as follows:

- Audit of a complete sets of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 does not apply).
- The financial statements are prepared for a general purpose by management of the entity in accordance with IFRSs.
- The terms of the audit engagement reflect the description of management’s responsibility for the financial statements in ISA 210.
- The Auditor is required to report on both the current period financial statements and the prior period financial statements in connection with the current year’s audit.
- The auditor’s report on the prior period, as previously issued, included a qualified opinion.
- The matter giving rise to the modification is unresolved.
- The effects or possible effects of the matter on the current period’s figures are material to both the current period financial statements and prior period financial statements and require a modification to the auditor’s opinion.
- The relevant ethical requirements that apply to the audit are those of the jurisdiction.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast doubt on the entity’s ability to continue as a going concern in accordance with proposed ISA 570 (Revised).
- The auditor is not required, and otherwise has not decided, to include key audit matters in accordance with proposed ISA 701.
- No other information has been obtained at the date of the auditor’s report (i.e., proposed ISA 720 (Revised) does not apply).
- Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.
- In addition to the audit of the 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 Financial Statements⁵⁵

Qualified Opinion

We have audited the accompanying financial statements of ABC Company (the Company), which comprise the statements of financial position as at December 31, 20X1 and 20X0, and the statements of comprehensive income, statements of changes in equity and statements of cash

⁵⁵ The sub-title “Report on the Audit of the Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

flows for the years then ended, and [notes to the financial statements, including](#) a summary of significant accounting policies ~~and other explanatory information~~.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* [section of our report](#)~~paragraph~~, the financial statements present fairly, in all material respects, (or *give a true and fair view of*) the financial position of ~~ABC the~~ Company as at December 31, 20X1 and 20X0 and (of) its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ([IFRSs](#)). ~~[Opinion section positioned first in accordance with proposed ISA 700 (Revised).]~~

Basis for Qualified Opinion

As discussed in Note X to the financial statements, no depreciation has been provided in the financial statements, which constitutes a departure from ~~International Financial Reporting Standards~~[IFRSs](#). Based on the straight-line method of depreciation and annual rates of 5% for the building and 20% for the equipment, the loss for the year should be increased by xxx in 20X1 and xxx in 20X0, property, plant and equipment should be reduced by accumulated depreciation of xxx in 20X1 and xxx in 20X0, and the accumulated loss should be increased by xxx in 20X1 and xxx in 20X0.

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 Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in \[jurisdiction\] and have fulfilled our other ethical responsibilities in accordance with these requirements.](#) We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion. ~~[Basis for Opinion section positioned immediately after Opinion section in accordance with proposed ISA 700 (Revised). Also, the first and last sentence are moved from the auditor's responsibility section.]~~

[Responsibilities of Management⁵⁶ and Those Charged with Governance Responsibility for the Financial Statements](#)

[\[Reporting in accordance with proposed ISA 700 \(Revised\) – see illustration 1 in proposed ISA 700 \(Revised\).\]](#)

~~Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards,⁵⁷ and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.~~

⁵⁶ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

⁵⁷ ~~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 financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such"~~

Auditor's Responsibilities for the Audit of the Financial Statements

[Reporting in accordance with proposed ISA 700 (Revised) – see illustration 1 in proposed ISA 700 (Revised)].

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

~~An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error, 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.~~

~~In making these risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation⁵⁸ 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.⁵⁹ 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 qualified audit opinion.~~

Report on Other Legal and Regulatory Requirements

[Reporting in accordance with proposed ISA 700 (Revised) – see illustration 1 in proposed ISA 700 (Revised)].

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

~~[Auditor's Aaddress] [Placement of date and address reversed]~~

~~[Date of the auditor's report]~~

⁵⁸ ~~In the case of footnote 4, this may read: "In making these risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."~~

⁵⁹ ~~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 these risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 4, this may read: "In making these risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances."~~