

## 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*

NO CHANGE FROM VERSION DISCUSSED SEPTEMBER 16

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

NO CHANGE FROM VERSION DISCUSSED SEPTEMBER 16

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

1. When the ISAs were clarified, all of them had the same effective date. Now that some of the ISAs (new or revised auditor reporting standards) have a different effective date, the phrase “in effect for audits of financial statements in effect for audits of financial statements for periods beginning on or after December 15, 2009...” will be deleted in the appendix.
2. Clarifying change proposed to align with construct used in other ISAs, with specific reference now made to the documentation requirement in ISA 701.

### 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 applies, the auditor's determination of the key audit matters or the determination that there are no key audit matters to be communicated.~~<sup>1</sup>

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

3. Editorial change made to better align with the approach taken in ISA 706 (Revised).

**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 auditor concludes that this treatment is appropriate, there may be a need for disclosure of the circumstances in the notes to the financial statements. Where applicable, t~~he~~ auditor may also determine ~~that there is a need to draw the reader's attention to that an accounting estimate that has been identified as having high significant estimation uncertainty by, where applicable, communicating this as~~ is a key audit matter to be communicated in the auditor's report in accordance with ~~proposed~~ ISA 701,<sup>2</sup> or may consider it necessary to include in an Emphasis of Matter paragraph in the auditor's report (see ~~proposed~~ ISA 706 (Revised)).<sup>3</sup> 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.<sup>4</sup>

E. *Conforming Amendments to ISA 580, Written Representations*

4. When the ISAs were clarified, all of them had the same effective date. Now that some of the ISAs (new or revised auditor reporting standards) have a different effective date, the phrase "in effect for audits of financial statements in effect for audits of financial statements for periods beginning on or after December 15, 2009..." will be deleted in the appendix.

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

NO CHANGE FROM VERSION DISCUSSED SEPTEMBER 16

<sup>1</sup> ~~Proposed~~ ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*, ~~paragraph 18~~

<sup>2</sup> ~~Proposed~~ ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

<sup>3</sup> ~~Proposed~~ ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*

<sup>4</sup> ~~Proposed~~ ISA 706 (Revised), paragraph 8(b)

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

### A. Conforming Amendments to ISA 210

#### 5. Conforming change to align with paragraph 39(b)(iv) of ISA 700 (Revised).

## 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:<sup>5</sup>

*[The objective and scope of the audit]*

You<sup>6</sup> 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 policies ....
- Conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, and based on the audit evidence obtained, whether a material uncertainty exists related to events and or conditions that may cast significant doubt on the ~~entity's~~ Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in ~~the our~~ auditor's report to the related disclosures in the financial statements ~~about the material uncertainty~~ or, if such disclosures are inadequate, to modify ~~the our opinion on the financial statements~~. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause ~~an entity~~ the Company to cease to continue as a going concern.

<sup>5</sup> 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.

<sup>6</sup> 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.

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

6. Final conforming changes to the illustrative auditors' reports as a result of the final changes to ISA 700 and other ISAs.

**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 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<sup>7</sup> 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) (a general purpose framework).
- 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.<sup>8</sup>
- 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 significant doubt on the entity's ability to continue as a going concern in accordance with ~~proposed~~ ISA 570 (Revised).<sup>9</sup>
- The auditor is not required, and has otherwise ~~has not~~ decided, to include ~~communicate~~ key audit matters in accordance with ~~proposed~~ ISA 701.<sup>10</sup>

<sup>7</sup> ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

<sup>8</sup> 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.

<sup>9</sup> ~~Proposed~~ ISA 570 (Revised), *Going Concern*

<sup>10</sup> ~~Proposed~~ ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

- 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 has decided to do so.
- No other information has been obtained at the date of the auditor's report (i.e., proposed ISA 720 (Revised)<sup>11</sup> 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 Statements<sup>12</sup>

#### 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.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, (or *give a true and fair view of*) the financial position of 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 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 we have fulfilled our other ethical

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<sup>11</sup> Proposed ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

<sup>12</sup> 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 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 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<sup>13</sup> and Those Charged with Governance for the Financial Statements<sup>14</sup>****

*[Reporting in accordance with ~~proposed~~ ISA 700 (Revised)<sup>15</sup> – see illustration 1 in ~~proposed~~ ISA 700 (Revised).]*

### **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).]*

### **Report on Other Legal and Regulatory Requirements**

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

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

*[Auditor Address] [Placement of date and address reversed]*

*[Date]*

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<sup>13</sup>—Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

<sup>14</sup> Throughout these illustrative auditor’s reports, the Or other terms management and those charged with governance may need to be replaced by other terms that is are appropriate in the context of the legal framework in the particular jurisdiction.

<sup>15</sup> ~~Proposed~~ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

Illustration 2:

For purposes of this illustrative auditor's report, the following circumstances 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 (a general purpose framework).
- 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.<sup>16</sup>
- 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 significant 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 has otherwise ~~has~~ not decided, to ~~include~~ communicate 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 has ~~decided~~ 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.

<sup>16</sup> 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 Statements<sup>17</sup>

#### 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.

#### *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* section of our report, the accompanying 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 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 accompanying statement of financial position presents fairly, in all material respects (or *gives a true and fair view of*), the ~~accompanying~~ financial position of the Company as at December 31, 20X1 in accordance with 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 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 we 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 unmodified opinion on the financial position and our qualified audit opinion on the financial performance and cash flows. [Basis for Opinion section positioned

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<sup>17</sup> 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.

immediately after Opinion section in accordance with ~~proposed~~ ISA 700 (Revised). Also, the first and last sentences are moved from the auditor's responsibilities section.]

### **Other Matter**

The financial statements of 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<sup>18</sup> and Those Charged with Governance for the Financial Statements<sup>19</sup>**

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

### **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).]

### **Report on Other Legal and Regulatory Requirements**

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

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

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

[Date]

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<sup>18</sup> Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

<sup>19</sup> Or other terms that are appropriate in the context of the legal framework in the particular jurisdiction

- C. *Conforming Amendments to ISA 600, Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*
7. Final conforming changes to the illustrative auditors' reports as a result of the final changes to ISA 700 (Revised) and other ISAs.

## Appendix 1

(Ref: Para. A19)

### Illustration - 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

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

- Audit of a complete set of consolidated financial statements of an entity other than a listed entity using a fair presentation framework. The audit is a group audit (i.e., ISA 600 applies).
- The consolidated financial statements are prepared by management of the entity in accordance with IFRSs (a general purpose framework).
- The terms of the audit engagement reflect the description of management's responsibility for the consolidated financial statements in ISA 210.
- ~~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. [Moved to assumption box from below]
- 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. [Moved to assumption box from below]
- 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. [Moved to assumption box from below]
- The International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants comprises all of the relevant ethical requirements that apply to the audit.
- 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 significant doubt on the entity's ability to continue as a going concern in accordance with ISA 570 (Revised).
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with 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 consolidated financial statements differ from those responsible for the preparation of the consolidated financial statements.
- In addition to the audit of the consolidated financial statements, the auditor has other reporting responsibilities required under local law.

~~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~~[Moved up to assumption box]

~~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.~~[Moved up to assumption box]

~~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~~ [Moved up to assumption box]

~~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.~~[Moved up to assumption box]

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Consolidated Financial Statements<sup>20</sup>

#### 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.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the ~~accompanying~~ consolidated financial statements present fairly, in all material respects (or *give a true and fair view of*), the financial position of the Group 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 (IFRSs). [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 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.

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<sup>20</sup> 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.

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 (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with ~~these requirements~~ the IESBA Code. 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 ISA 700 (Revised). Also, the first and last sentences are moved from the auditor's responsibilities section.]

### **Responsibilities of ~~Management~~<sup>24</sup> and Those Charged with Governance for the Consolidated Financial Statements<sup>22</sup>**

*[Reporting in accordance with ~~proposed~~ ISA 700 (Revised)<sup>23</sup> – see illustration 32 in ~~proposed~~ ISA 700 (Revised).]*

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

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

### **Report on Other Legal and Regulatory Requirements**

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

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

*[Auditor Address] [Placement of date and address reversed]*

*[Date]*

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<sup>24</sup>—Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

<sup>22</sup> Throughout the illustrative auditor's report, the ~~Or other terms~~ management and those charged with governance may need to be replaced by other terms that is are appropriate in the context of the legal framework in the particular jurisdiction.

<sup>23</sup> ~~Proposed~~ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

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*

8. The ED indicated that the illustrations of auditor's reports in Appendix 1 of ISA 710 would be conformed to the presentation in 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 were made to the requirements or application material of ISA 710.

**Appendix**

**Illustrations of Auditor's Reports**

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

For purposes of this illustrative auditor's report, the following circumstances 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<sup>24</sup> 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) (a general purpose framework).
- 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 significant doubt on the entity's ability to continue as a going concern in accordance with ~~proposed~~ ISA 570 (Revised).<sup>25</sup>
- The auditor is not required, and has otherwise has not decided, to communicate ~~include~~ key audit matters in accordance with ~~proposed~~ ISA 701.<sup>26</sup>
- No other information has been obtained at the date of the auditor's report (i.e., proposed ISA 720 (Revised)<sup>27</sup> does not apply).

<sup>24</sup> ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

<sup>25</sup> ~~Proposed~~ ISA 570 (Revised), Going Concern

<sup>26</sup> ~~Proposed~~ ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

<sup>27</sup> Proposed ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

- 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 Statements<sup>28</sup>

#### 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.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion*- section of our report, the accompanying financial statements present fairly, in all material respects, (or *give a true and fair view of*) the financial position of 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 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 we 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 ISA 700 (Revised). Also, the first and last sentences are moved from the auditor's responsibilities section.]

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<sup>28</sup> 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 Management<sup>29</sup> and Those Charged with Governance for the Financial Statements<sup>30</sup>**

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

**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).]*

**Report on Other Legal and Regulatory Requirements**

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

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

*[Auditor Address] [Placement of date and address reversed]*

*[Date]*

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<sup>29</sup> ~~Or other term that is appropriate in the context of the legal framework in the particular jurisdiction~~

<sup>30</sup> ~~Throughout these illustrative auditor’s reports, the Or other terms management and those charged with governance may need to be replaced by other terms that is are appropriate in the context of the legal framework in the particular jurisdiction.~~

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

For purposes of this illustrative auditor’s report the following circumstances 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 (a general purpose framework).
- 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 significant 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 has otherwise has not decided, to ~~include~~ communicate 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 Statements<sup>31</sup>

#### 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.

<sup>31</sup> 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.

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, the accompanying financial statements present fairly, in all material respects, (or *give a true and fair view of*) the financial position of 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**

Because we were appointed auditors of 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 we 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<sup>32</sup> and Those Charged with Governance for the Financial Statements<sup>33</sup>**

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

### **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).~~]

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<sup>32</sup> Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

<sup>33</sup> Or other terms that is are appropriate in the context of the legal framework in the particular jurisdiction

## **Report on Other Legal and Regulatory Requirements**

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

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

*[Auditor Address] [Placement of date and address reversed]*

*[Date]*

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

For purposes of this illustrative auditor's report of the following circumstances 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 (a general purpose framework).
- 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 significant 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 has otherwise has not decided, to ~~include~~ communicate 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 has ~~decided~~ 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 Statements<sup>34</sup>

#### 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, *(or give a true and fair view of)* the financial position of 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).]

<sup>34</sup> 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.

## 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 we 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 ISA 700 (Revised). Also, the first and last sentences are moved from the auditor's responsibilities section.]

## Other Matter

The financial statements of 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's<sup>35</sup> and Those Charged with Governance for the Financial Statements<sup>36</sup>

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

## 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).]

## Report on Other Legal and Regulatory Requirements

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

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

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

[Date]

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<sup>35</sup> Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

<sup>36</sup> Or other terms that is are appropriate in the context of the legal framework in the particular jurisdiction

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

For purposes of this ~~Report~~ illustrative auditor's report of the following circumstances ~~described in paragraph 15, as follows~~ are assumed:

- 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 (a general purpose framework).
- 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 significant 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 has otherwise has not decided, to ~~include~~ communicate 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 Statements<sup>37</sup>

##### 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

<sup>37</sup> 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, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, (or *give a true and fair view of*) the financial position of 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 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 we 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 ISA 700 (Revised). Also, the first and last sentences are moved from the auditor's responsibilities section.]

### **Responsibilities of [Management<sup>38</sup> and Those Charged with Governance for the Financial Statements<sup>39</sup>**

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

### **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).]

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<sup>38</sup> Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

<sup>39</sup> Or other terms that is are appropriate in the context of the legal framework in the particular jurisdiction

## Report on Other Legal and Regulatory Requirements

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

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

*[Auditor Address] [Placement of date and address reversed]*

*[Date]*