

## **Auditor's Report on Financial Statements – Date of the Auditor's Report**

### **Introduction**

1. This agenda paper summarizes the proposed terminology of dates relevant to the various key events in the audit reporting process.

### **Action Required by IAASB**

IAASB members are asked to review the proposed terms and definitions. These terms and definitions will form the basis for drafting the revision to ISA 700 as well as conforming changes to ISA 560, "Subsequent Events," and ISA 580, "Management Representations."

If there is sufficient time during the discussion of the reporting project at the March 2003 IAASB meeting, the various definitions will be discussed. If there is insufficient time, IAASB members are asked to forward any comments to the Task Force offline.

### **Summary of Proposed Terminology and Definitions**

2. At the December 2002 IAASB meeting, the Task Force recommended that the following terms should be adopted by the IAASB to describe key dates and responsibilities related to the processes of preparing, approving and issuing financial statements and the auditor's report, and the dating of the auditor's report.
3. *Date of the financial statements.* This is the date of the most recent balance sheet.
4. *Date of approval of the financial statements.* This is the date that the entity's management or board determines that a complete set of financial statements has been prepared and authorizes or approves such statements for issuance. IAS 10 (revised 1999), "Events After the Balance Sheet Date," paragraph 16 uses the phrase "the date when the financial statements were authorized for issue."

The specific approval process followed by the entity may depend on country specific regulation, or may be determined by the entity in the absence of such criteria. The important point is that the financial statements are the responsibility of management, and the auditor cannot complete the audit of the financial statements until management completes the preparation. The "date of approval" is based on the completeness of the content of the complete set of financial statements and disclosures – financial statements need not be in final format for publication on this date, and there may be additional corporate governance processes required by custom or regulation that need to occur before the financial statements are considered "final" (e.g., country specific regulation may require shareholder approval which would be obtained at some date substantially later than the date management approves the statements for issuance).

5. *Date of completion of the audit.* This is the date on which the auditor has completed all of the audit procedures supporting the opinion on the financial statements and is related to obtaining evidence supporting the opinion on the financial statements. Frequently this date will be the same as the date management approves the financial statements but it could be later – such as when the auditor has not obtained sufficient evidence to support management's assertions regarding significant estimates. The date of completion of the audit would be the date of the auditor's report.

6. *Date of management's written representations.* This is normally dated the same as the date of the auditor's report, although it may be received later to confirm verbal representations. However, the letter must be dated no earlier than the auditor's report.
7. *Date of issuance of the auditor's report.* This is the date that the auditor authorizes the release of the audit report and would be the earlier of the date that the report and financial statements are made available widely or filed with regulatory authority. It is an important date because the auditor has specific responsibilities between the date of the completion of the audit and this date.
8. *Country specific filing and regulatory dates.* Additionally, there may be country specific requirements addressing the date of filing of the auditor's report and financial statements and related subsequent events responsibilities that the auditor needs to consider.
9. At the December 2002 IAASB meeting, the Task Force also reported that it believes clarification will be needed on the impact, if any, of the timing of the auditor's communications with those charged with governance on these dates. Further, in addition to revising ISA 700 to reflect these terms and definitions, the Task Force believes that it will be necessary to simultaneously revise both ISA 560, "Subsequent Events" and ISA 580, "Management Representations," to ensure that the guidance in all three ISAs is consistent and appropriately linked. Additional guidance might also be needed in ISA 700 and ISA 560 to deal with the auditor's responsibilities when asked to "reissue" the audit report, and the effect of significant delays in the issuance of the financial statements and the auditor's report.